Alberta

Freedom To Create. Spirit To Achieve.

Municipal Affairs

Annual Report
2010-2011

Government of Alberta

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Preface

Public Accounts 2010-11

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 ministries.

The annual report of the Government of Alberta contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Municipal Affairs contains the Minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This ministry annual report also includes:

- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2011, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 6, 2011 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by Hector Goudreau]

Hector Goudreau
Minister of Municipal Affairs

Message from the Minister

Vibrant towns, villages, cities, counties, and municipal districts help to set the foundation of Albertans' success. As Minister of Municipal Affairs, my staff and I are dedicated to working with Alberta's municipalities to build our communities and ensure they remain robust, strong and safe. Supporting our communities ensures we continue to cultivate an exceptional quality of life for all Albertans.

Municipal Affairs' groundbreaking Municipal Sustainability Initiative (MSI) helps communities complete projects that benefit citizens today and tomorrow. Municipalities are the heart of the province's economic strength and by administering MSI funding, municipalities are able to make significant infrastructure investment. Through the MSI program, municipalities continue to enrich the lives of Albertans on many levels. We can see tangible results of MSI funding throughout the province in roadway, bridge and transit projects, recreation and community facilities, and many other projects that assist in maintaining and strengthening municipal infrastructure.

Alberta has one of the best managed safety systems in the country and we are constantly working to improve it. In 2010-11, we continued to build on our safety system, worked to harmonize our safety codes with national and international code systems, and supported compliance with the strong safety codes system already in place.

Municipal Affairs, through the Alberta Emergency Management Agency, worked with municipalities in the province to provide one of the best emergency response systems in the country. The Agency initiated 10 disaster recovery programs throughout the province in 2010-11. We introduced flexibility into program guidelines and helped thousands of Alberta families and businesses recover from disasters.

Our Ministry also remains committed to supporting public libraries as they are an essential component of progressive communities. By building on library technology as well as enhancing basic library services and providing Albertans with access to online learning resources, we are supporting the achievement of seamless access to library resources for all Albertans. Through public libraries in their communities, Albertans are part of the global, knowledge-based economy.

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Alberta's Francophone communities contribute to the energy and diversity of this province. I am proud to represent the needs of our Francophone community as the Minister responsible for the Francophone Secretariat. This year, we launched our new *Bonjour Alberta* website to provide Alberta's flourishing French-speaking population easy access to government information. By supporting Francophone organizations, communities and individuals, and through Francophone education programs, artistic initiatives, cultural initiatives and business development, we will build on Alberta's strength and reputation on a global scene.

Municipalities are the key to Alberta's future. As we move into 2011-12, I embrace the exciting opportunities and challenges ahead, trusting in my dedicated, professional staff and management team. I look forward to continuing to work together with Albertans in building the municipalities of the 21st century – sustainable, accountable municipalities that enable Albertans to thrive.

[Original signed by Hector Goudreau]

Hector Goudreau
Minister of Municipal Affairs

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, six Improvement Districts, and the Safety Codes Council.

The Department of Municipal Affairs consists of the Local Government Services Division, the Public Safety Division, the Corporate Strategic Services Division, the Alberta Emergency Management Agency, the Municipal Government Board and the Francophone Secretariat.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Municipal Affairs. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

Reliability – Information agrees with the underlying data and the sources used to prepare it.

Understandability and Comparability – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.

Completeness – Performance measures and targets match those included in Budget 2010.

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As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Municipal Affairs any information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by Ray Gilmour]

Ray Gilmour
Deputy Minister, Municipal Affairs
June 6, 2011

MINISTRY OVERVIEW

Operations and Services

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, six Improvement Districts, and the Safety Codes Council.

Department of Municipal Affairs

The Department of Municipal Affairs consists of the Local Government Services Division, the Public Safety Division, the Corporate Strategic Services Division, the Alberta Emergency Management Agency, the Municipal Government Board and the Francophone Secretariat.

Local Government Services Division

The Local Government Services Division provides support and advice to municipalities to help them develop sustainable and effective local government for Albertans.

Services focus on increasing municipal capacity and assisting municipalities to respond to growth and sustainability challenges. The division provides advisory support, training and internship programs, and other tools in support of enhanced municipal sustainability. As well, the division administers several grant programs, including the Municipal Sustainability Initiative, which provides a long-term funding commitment to municipalities.

The division supports the development and implementation of strategic initiatives such as the *Municipal Sustainability Strategy, Government Re-engineering Initiative on Municipal Grants, Land-use Framework, Capital Region Growth Plan, Calgary Regional Partnership,* and *Responsible Actions: A Plan for Alberta's Oil Sands*. Municipal co-operation is a further priority of the division and is fostered through land-use planning assistance, mediation programming, and financial support for regional collaboration. The division also supports the Government of Alberta's priorities and goals related to homelessness, affordable housing, the Provincial Energy Strategy, the Rural Development Strategy, and the Water for Life strategy.

In addition, the division oversees the policies and procedures for the assessment of property in Alberta; reviews and audits municipal assessments; assesses linear property such as oil and gas wells, pipelines, electric power systems (generation, transmission, distribution) and telecommunication systems for Alberta municipalities; and oversees the annual process involved in determining each municipality's share of the education property tax. The division annually prepares equalized assessments for each municipality. These equalized assessments are used for requisitioning taxes for intermunicipal cost-sharing programs, and in formulas for calculating various grants to municipalities. The division also provides assistance and advice to municipalities on assessment and tax-related issues.

Public Safety Division

The Public Safety Division administers a framework of safety codes and standards and assists municipalities with promoting the safe construction, operation and maintenance of buildings, facilities and associated equipment. This includes administering the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: building, fire, plumbing, gas, electrical, elevators, amusement rides,

passenger ropeways (ski lifts), pressure equipment, and private sewage disposal systems. The division also represents the Government of Alberta in the development of national and international codes and standards; provides technical advice and program support to municipalities, industry and the public; and works with the Safety Codes Council to assist and monitor municipalities and corporations that have been accredited to administer safety codes and standards. As the third largest provider of safety codes services in Alberta, the Public Safety Division oversees the agencies that deliver permit and inspection services in municipalities that are not accredited to deliver these services. The division also works with and oversees three delegated administrative organizations: Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association and Petroleum Tank Management Association of Alberta.

The Public Safety Division also delivers the Tank Site Remediation Program. This program was designed to help municipalities and other eligible owners of current or former retail gas station sites to clean up contamination caused by leaking underground petroleum storage tanks.

Corporate Strategic Services Division

The Corporate Strategic Services Division is responsible for the ministry's information technology, financial, corporate strategic policy and administrative functions. The division also leads the ministry's business planning, performance measurement, environmental scanning, enterprise risk management, legislative planning, and information access and privacy protection.

This division includes the Public Library Services Branch, which takes a leadership role in policy development and supports the province-wide public library network. This work includes providing funding assistance to library boards, capitalizing on the use of technology, establishing a network for communications and shared library resources across the province, and supporting library boards in providing public library service to Albertans.

Alberta Emergency Management Agency

The Alberta Emergency Management Agency's mission is to co-ordinate, with our partners, a province-wide public safety system with the intent of protecting Albertans, their property, their environment and their economy against all hazards. In partnership with local governments, the agency strives to effectively manage public safety and reduce the impact of disasters and emergency events. The Alberta Emergency Management Agency provides strategic policy direction and leadership, and co-ordinates programs and initiatives designed to assist in the mitigation and prevention of emergencies – as well as the response to, and recovery from emergencies.

The organization co-ordinates the continuous improvement of Alberta's Public Safety System. The agency conducts research and attains the knowledge, expertise and alliances pertinent to carrying out its role. It provides direction and required resources to ensure the most efficient safety systems are in place in order to prevent and/or respond to a disaster. The system requires individual citizens, communities, industry and governments to work together in order to provide a seamless synchronized response to emergencies.

In disaster situations, the agency offers direct support and assistance to community operations where needed. The *Emergency Management Act* governs the agency and gives it the authority to act in an emergency. The agency works under two regulations:

- the Disaster Recovery Regulation, which allows the agency to provide financial assistance to people affected by disasters; and
- the Government Emergency Management Regulation, which deals with mitigation and response strategies for individual and multi-department business disruptions.

The agency supports the development and long-term sustainability of fire and emergency management capabilities, search and rescue, disaster social services and amateur radio operators in Alberta's communities, industries, and government by:

- supporting fire and emergency management initiatives;
- modernizing policies for provincial training grants;
- moving forward with legislation to provide liability protection to municipalities for fire and emergency management; and
- making it easier for local authorities to access required competencies and skills maintenance training that is necessary to ensure the safety of first responders.

Municipal Government Board

The Municipal Government Board (MGB) conducts independent, quasi-judicial adjudication functions required by the *Municipal Government Act* with respect to linear property assessment complaints, equalized assessment appeals, subdivision appeals, annexation recommendations, intermunicipal disputes and other matters referred to the MGB by the Minister of Municipal Affairs or Lieutenant Governor in Council. In addition, the MGB provides a member to municipal assessment review boards to adjudicate property assessment complaints.

Francophone Secretariat

The Francophone Secretariat serves as a liaison between the Government of Alberta and the Alberta francophone community by clarifying and representing the needs of the francophone community to government. The Government of Alberta established the Francophone Secretariat in 1999 in recognition of its commitment to its francophone citizenry. The Secretariat represents francophone Albertans and the Province of Alberta in organizations and events such as conferences of ministers responsible for francophone affairs, and participates in the negotiation of federal/provincial agreements relating to French language, culture, and education programs.

Support Services

Staff from specialized areas support the department in achieving its business plan goals, strategic policy support and development, and strategic planning. Services include the provision of legal advice regarding the ministry's acts and regulations, legal representation before the courts and various administrative tribunals, human resources, and communicating information to Albertans.

Special Areas Board

The Special Areas Board is appointed by the Lieutenant-Governor in Council and is responsible for the management and administration of 2.64 million acres of public land located in southeast Alberta and the provision of municipal services to the residents of these areas, including: the maintenance and construction of local roads; the maintenance of parks; the provision of water services; public land management (grazing, cultivation, and oil and gas development); emergency and protective services; and rural stabilization and economic development.

Improvement Districts

The six Improvement Districts provide limited municipal services, primarily in the national parks. The provincial government, through Municipal Affairs, is responsible for all functions of local government in the Improvement Districts, including the levy and collection of taxes.

Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*, responsible to the Minister of Municipal Affairs. It is comprised of volunteer industry stakeholders with expertise in the codes and standards discipline areas to which the act applies. The Safety Codes Council's responsibilities include assisting the government in the formulation of Alberta's safety codes and standards and advising the Minister on related matters; training and certifying safety codes officers; accrediting municipalities and corporations to administer the act and accrediting agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act* such as orders, accreditation designations and safety codes officer certification; delivers public safety programs to industry and communities; and administers a province wide electronic permit and information system.

Shared Services

Municipal Affairs continues to receive some administrative, information technology, financial and human resource processing services from Service Alberta. The ministry also provides comprehensive human resource services to the Ministry of Housing and Urban Affairs.

RESULTS ANALYSIS

Review Engagement Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" in the *Ministry of Municipal Affairs' 2010-11 Annual Report*. These performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- **Reliability** – Information agrees with the underlying data and with sources used to prepare it.
- **Understandability and Comparability** – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- **Completeness** – Performance measures and targets match those included in Budget 2010.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to my Office by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the *Ministry of Municipal Affairs' 2010-11 Annual Report* are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

[Original signed by Merwan N. Saher, CA]

Auditor General
May 3, 2011
Edmonton, Alberta

Performance Measures Summary Tables

*** Indicates Performance Measures that have been reviewed by the Office of the Auditor General.**

The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal and mandated initiatives;
- Measures for which new data is available; and
- Measures that have well established methodology.

Core Business One: *Support the viability and long-term sustainability of municipalities and their communities*

◇ *This measure is also included in Measuring Up 2010-11 under goal 9. Data for this measure for years 2009-10 and 2010-11 was audited by the Auditor General as indicated in the Measuring Up Auditors' Report.*

GOAL 1: A responsive, collaborative, accountable and well-managed local government sector which is sustainable

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
1. a) Albertans' satisfaction with their local governments – percentage satisfied ◇	73%	73%	64%	80%	72%

*Reviewed by Auditor General**

GOAL 2: A well-managed, fair and efficient assessment and property tax system in which stakeholders have confidence

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
2. a) Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity, and equity *	95%	94%	97%	98%	99%

GOAL 3: Support of the province's information, historical and cultural resources through a strong province-wide public library network and support to the francophone community

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
3. a) Usage of public library services by adult Albertans	50%	48%	48%	54%	48%

Core Business Two: Enhance municipal accountability

GOAL 4: Enhance financial and operational accountability of municipalities

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
4. a) *Percentage of municipalities meeting ministry's criteria of financial accountability as established in the Municipal Government Act*	98%	98%	97%	98%	98%

*Reviewed by Auditor General**

GOAL 5: Municipal Government Board administers appeals and issues timely and impartial decisions of high quality

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
5. a) *Percentage of parties who appear before the Municipal Government Board who are satisfied or neutral regarding the board's services and processes* *	84%	86%	87%	80%	86%

Core Business Three: *Co-ordinate and encourage the safety system to support the development and maintenance of safe communities*

Goal 6: A comprehensive system of safety codes and standards that provides an appropriate level of public safety

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
6. a) The percentage of assessed accredited municipal entities, corporations, agencies, and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating	95%	97%	95%	98%	97%

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
6. b) Tank Site Remediation Program – cumulative number of sites remediated	754	816	854	896	865

Core Business Four: *Lead a high performance provincial fire and emergency management system*

Goal 7: A province-wide fire and emergency management system that protects the people of Alberta, their property, the environment and the economy from the effects of emergency events

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
7. a) Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received	100%	100%	100%	100%	99.8%

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
7. b) The level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years	90%	94%	91%	94%	80.8%

Performance Measure	Prior Years' Results 2007-08	2008-09	2009-10	2010-11 Target	Current Actual
7. c) Fire deaths per 100,000 population (10-year moving average)	1.06	1.09	0.98	Less than or equal to 2009-10 actual	0.95

NOTE: The total number of 27 deaths reported for 2008 at the 2009 audit date was revised to 33 after receipt of six additional fire casualty reports. The revised total of 33 was used in calculating the 2008-09 fire death rate.

NOTE: The total number of deaths reported for 2009-10 was revised to 28 after verification with the Medical Examiner's Office that these five deaths were not fire related. The revised total of 28 was used in calculating the 2009 fire death rate.

2010-11 Performance Measures Source and Methodology

Core Business One: Support the development and long-term sustainability of municipalities and their communities

GOAL 1: A responsive, collaborative, accountable and well-managed local government sector which is sustainable

1. a) Albertans' satisfaction with their local governments – percentage satisfied

Data Source: The data for this measure is gathered as part of a nine question telephone survey about Albertans' satisfaction with various aspects of their municipal governments. The results of the survey are based on a probability sample of 1,011 adults living in Alberta. A sample of 1,011 persons within the population produces results that are reliable within plus or minus 3.1 per cent 19 times out of 20. The sampling method was designed to complete 1,011 interviews within randomly selected households across the Province of Alberta. The sample was drawn in proportion to the populations of 14 urban centres, which included the cities of Edmonton and Calgary, and three rural regions within the province based on information from Statistics Canada 2006 data.

From within each multi-person household randomly selected, residents 18 years of age and older were screened for random selection using the "Most Recent Birthday" method. The contractor's report provides a detailed sampling methodology. Survey data, beyond what is in the final report, is stored with the contractor.

Methodology: The satisfaction survey data for the measure is drawn from a question which asks a sample of 1,011 Albertans about their overall satisfaction with their municipal government. The results are reported directly from the survey report; Alberta Municipal Affairs only performs the addition of the "very satisfied" and the "somewhat satisfied" categories to produce the overall satisfaction.

The survey is conducted in the early fall of each year. For 2010/11, the survey was run from November 22 to December 2, 2010.

This survey is conducted as part of an omnibus survey service provided by a private research firm, Environics Research Group Inc. The survey has been conducted by Environics Research Group Inc. since its first run, with the exception of 2005.

GOAL 2: A well managed, fair and efficient assessment and property tax system in which stakeholders have confidence

2. a) Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity

Data Source: By no later than February 28 of each year, all municipalities are required by the Alberta Assessment Quality Minister's Guidelines to submit assessment and sales data. Most municipalities uploaded their data directly into the province's web based application, Assessment Shared Services Environment (ASSET), through their Computer Assisted Mass Appraisal systems. Examples of the type of information submitted include the assessed value, the sale price for sold properties, legal descriptions and property characteristics, etc.

The calculation of median assessment ratios and assessment levels are part of stage one of the annual audit. The annual audit program is an important tool in measuring mass appraisal performance. Through assessment to sales ratio studies, the Assessment Audit Unit compares municipal assessments to market value indicators and verifies whether municipal assessments meet regulated quality standards. Because of the assessment audit cycle, the data upon which the 2010-11 measure is based reflects values and inventory from the 2009 assessment year. The fiscal year for municipalities is the calendar year.

Methodology: Under the Matters Relating to Assessment and Taxation Regulation, the quality standard specifies that the acceptable range for median assessment ratios is between 0.95 and 1.05.

The ASSET system calculates ratios of assessment to market value (sale price or indicator of market value) for sold properties in each value range/property type in the two property classes (residential and nonresidential). The subgrouping or stratification of the two classes is based on assessment value and property type.

The median assessment to sales ratio is calculated for each value range/property type stratum. Each median is then weighted by its respective total assessed value for that strata and a weighted median is calculated for each of the two classes. The percentage of municipalities whose assessment levels fall within the acceptable range for each class is determined. The performance measure is the average of these two percentages.

GOAL 3: Support of the province's information, historical and cultural resources through a strong province-wide public library network and support to the francophone community

3. a) Usage of public library services by adult Albertans

Data Source: The source for the data on this measure is the Alberta Culture and Community Spirit – 2010 (dated February 2011) Survey of Albertans on Culture, conducted by Leger Marketing, a private-sector marketing research firm.

Methodology: Consistent with and comparable to surveys in previous years, 1,000 adult Albertans were interviewed in a province-wide telephone survey. Leger Marketing conducted this survey using a random sample stratified by age group, gender and geographic location to be representative of Alberta's population. Interviews were conducted from January 5 to 26, 2011. Respondents answered the following question: Have you used a public library in the past 12 months? The margin of error is no greater than plus or minus 3.1 per cent at the 95 per cent confidence level.

Core Business Two: Enhance municipal accountability

GOAL 4: Enhance financial and operational accountability of municipalities

4. a) Percentage of municipalities meeting ministry's criteria of financial accountability as established in the Municipal Government Act

Data Source: The data used to calculate this measure comes primarily from the annual audited financial statements and the financial information returns which municipalities must submit to the Minister by May 1 for each year, pursuant to the *Municipal Government Act* (MGA). For the year ending December 31, 2009 the submission date was extended to June 25, 2010 because of major changes to the reporting structure of the financial statements stemming in part from changes related to accounting for tangible capital assets.

Local Government Services Division staff prepare the data, complete the required calculations and supply the supplementary information used for this measure. The information is collected for administrative purposes as well as for tabulating the measure.

The data used to calculate this measure is reported based upon a calendar year, which is the fiscal year for municipalities. The results reported in this measure are from the calendar year prior to the fiscal year in which they are reported (e.g. for 2010-11 annual reporting, Municipal Affairs reports municipal results from the 2009 calendar year). Financial data is stored in the Municipal Financial Information System.

Methodology: The required data sets are extracted from the Municipal Financial Information System using Microsoft Access and are compiled in an Excel™ spreadsheet. Point scores are calculated using Excel™ formulas where possible. Points for section 282 of the MGA must be entered manually as would supplementary information regarding debt limit extensions and deficit recovery extensions. Supplementary information related to section 252 is entered manually into the Excel™ spreadsheet as required.

The measure is calculated based on a demerit point system weighting the criteria as set out in sections 252, 278 and 282 of the MGA. Municipalities meeting or exceeding 100 points are considered to be outside of the criteria for achieving financial accountability. The scoring system serves as a proxy measure. Scores of 100 points or more would be a solid indicator of an accountability problem and, if continued, would likely indicate a loss of financial sustainability.

Section 244 (1) of the MGA deals with the requirement that, over a three year period, municipal revenues and transfers must be equal to or greater than municipal expenditures and transfers. Effective January 1, 2009, public sector accounting standards changed dramatically:

- fund accounting no longer exists – there is one statement of operations rather than three;
- financial reporting is now on a full accrual basis – tangible capital assets are recorded and amortized accordingly; and
- reporting is expense-based rather than expenditure-based.

This results in a number of changes, including those related to the recording of capital grants, donated assets, and amortization on the statement of operations. Certain expenditures, such as principal debt repayments and capital transfers, are no longer recorded on the statement of operations. The result of the changes has an impact on the applicability of section 244 (1); specifically, some of the terminology used in the section no longer applies to the new financial reporting.

The MGA will be updated in future to more accurately reflect these new accounting standards. The Municipal Finance Clarification Regulation was enacted as a transitional measure and section 4 of the regulation provides a more appropriate measure of "deficiency" in the new environment. It can be found on the Queen's Printer website: www.qp.alberta.ca/574.cfm?page=2010_191.cfm&leg_type=Regs&isbncln=9780779754465.

GOAL 5: Municipal Government Board administers appeals and issues timely and impartial decisions of high quality

5. a) Percentage of parties who appear before the Municipal Government Board who are satisfied or neutral regarding the board's services and processes

Data Source: A client satisfaction survey was conducted by Resinnova and the hearing participant information provided from the Case Inc. database of the Municipal Government Board (MGB).

Methodology: MGB staff designed database queries for the purpose of identifying all participants who attended MGB hearings. The staff ran queries listing all appellants, respondents and interveners that were attached to the hearings. Staff generated manual lists for attendees at annexations and subdivision hearings. Staff then found email addresses or phone numbers for all parties and forwarded the list to Resinnova.

The methodology followed in conducting the survey and preparing the survey results is described in the consultant's final report. The satisfaction scale used in the report is a five-point, anchored satisfaction scale (strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree).

The MGB requires the consultant to contact and survey all hearing attendees and get the highest possible response rate. To achieve this high standard online and telephone surveys are conducted by the independent consultant. For the 2009/2010 fiscal year the response rate was 287 of 577 eligible clients or 50%.

Core Business Three: *Co-ordinate and encourage the safety system to support the development and maintenance of safe communities*

GOAL 6: A comprehensive system of safety codes and standards that provides an appropriate level of public safety

6. a) The percentage of assessed accredited municipal entities, corporations, agencies, and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating

Data Source: This measure monitors closed files to assess performance against quality management plans and operating agreements for each accredited entity and delegated administrative organization (DAO). The accredited organizations scheduled to be monitored for the year are assessed in their administration of the safety system throughout the year using a series of checklists. There has been no change in data collection methods used for accredited municipalities, corporations, authorized accredited agencies and DAOs. Municipal and corporate checklist questions are updated when changes are made to quality management plans approved by the Safety Codes Council.

Methodology: A benchmark of 70 per cent has been adopted as a satisfactory rating. This has not changed from previous years. The percentage of overall scores is computed for accredited municipal entities, corporations, agencies and delegated administrative organizations. This percentage is then weighted by the number of organizations assessed to produce the performance measure.

Accredited municipalities and corporations

Accredited municipalities and corporations (organizations) are assessed at least once every three years on a rotating schedule, which is revised annually as organizations accreditation status changes. The files selected are from files closed in a 12 month period that falls between monitoring field visits. During the year, data is gathered by designated department staff and a score is computed for each completed checklist. The checklist scores for each discipline administered by an organization are then averaged to produce an overall score.

Each year, the schedule for monitoring is determined as follows:

1) start with the prescribed one-third list;
2) add all those organizations from the previous year that scored less than satisfactory;
3) add municipalities and corporations newly accredited in the previous year to the year's prescribed one-third list;
4) remove organizations that dissolved or discontinued their accreditations from the list;
5) where justified, remove organizations that request their monitoring to be postponed until the next year from the list; and
6) remove accredited corporations that have not engaged in activities that fall under the *Safety Codes Act* (these are carried forward until the corporation resumes activity).

Delegated Administrative Organizations (DAOs) and Authorized Accredited Agencies

Government delegates functions to three DAOs: Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association, and Petroleum Tank Management Association of Alberta. All three DAOs are formally monitored annually in the same manner as previous years. DAO liaisons provide continuous assessment, monitoring and mentoring to the organization throughout the year.

Municipal Affairs provides safety codes compliance services in unaccredited municipalities using authorized accredited agencies. All authorized accredited agencies under contract with the department are monitored monthly, closed files are reviewed quarterly, and administrative components and performance are reported annually. Contract management staff is in continual contact with the agencies and assists them in resolving emerging issues.

6. b) *Tank Site Remediation Program – cumulative number of sites remediated*

Data Source: The Tank Site Remediation Program was designed to help municipalities and other eligible owners of current or former retail gas station sites to clean up contamination caused by leaking underground petroleum storage tanks.

Separate files are maintained for each site approved for remediation under the program. Information from these files is entered into two program management spreadsheets that are maintained to manage the remediation related to the two funding pools referred to as Program 1 and Program 2. These separate spreadsheets are used to manage and report on program progress. The financial data in the spreadsheets is reconciled monthly by the Budget Officer and reviewed by the Program Director. The Program Director either performs or supervises the compilation of a monthly status report to recap changes in site status, which is the basis for the tabulation of the actual performance measure results. These month-end reports are placed on file.

For purposes of the Tank Site Remediation Program, a site is considered "remediated" when:

- A signed and sealed report is accepted from the grant recipient's accredited consulting engineer, which certifies that the site is remediated in accordance with the Alberta Environment Tier I and Tier II regulation guidelines or;
- All possible active remediation has been completed on the site and the next phase is either longer term risk management or land farming (which is done off-site). In some instances, Alberta Environment will formally accept a risk management plan for the site; or
- The program has paid out the maximum grant to define the problem and advance work on the site. In these situations, Alberta Environment will take over monitoring the management of the site, working directly with the owner and the consultant.

Methodology: Remediation reports that are received by the program office are reviewed by technical program staff. When accepted, the status of the site is recorded as remediated in the appropriate spreadsheet. The spreadsheets are used for daily management and monthly reporting. A worksheet capturing the outstanding sites and current projections of when they might be remediated has been prepared to project targets and confirm the actual number of sites remediated each year, which is added to the previous year's cumulative actual. This is compared to the total number of "remediated" sites that appear in the two spreadsheets.

Core Business Four: *Lead a high performance provincial fire and emergency management system*

GOAL 7: A province wide fire and emergency management system that protects the people of Alberta, their property, the environment and the economy from the effects of emergency events

7. a) Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received

Data Source: Separate files are maintained for each application within each program. Information contained in these files is entered into a Microsoft Access disaster recovery database. The disaster recovery database, which has been in use since July 1995, tracks all applications received and activities related to the processing of each application made under a Disaster Recovery Program.

Methodology: The database is used to identify the number of disaster recovery applications and the number of those applications where the evaluator arrived on the site within 30 days of receipt of the application. Receipt of application is the day the application is stamped as received at the program office. Where there is an issue of eligibility and additional investigation and supporting documentation are required, the date the applicant is contacted and additional documentation is requested is the date used to measure the length of time it takes for an evaluation to be made.

The measurement period is the fiscal program year from April 1, 2010 to March 31, 2011.

Eligible applications are those that fall within the parameters of the program approval document authorized by the Minister. For example, an application for a property that is outside the approved program boundaries would be deemed ineligible. The applications are collected in a separate database established for each Disaster Recovery Program. The database records all dates pertinent to the administration of the program and can be queried at any time. A query is done on the database to identify all applications received within the measurement period and their corresponding evaluation date. The performance measure is calculated as a simple percentage: the number of applications that satisfy the 30-day criterion divided by the total number of applications.

7. b) The level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years

Data Source: The source for the data on this measure is the compilation of quarterly data submitted by the seven field officers in field operations at the Alberta Emergency Management Agency. The cumulative fourth quarter report is used to extract the actual number of municipalities that have exercised their plans in the current year either through a co-ordinated exercise or an actual event, that have not previously exercised their plans in the current four-year period.

Methodology: A schedule is established for all municipalities to be exercised at least once every four fiscal years. All real events where the municipal emergency plan was exercised are included, when and as they happen, replacing the scheduled exercise in the calculation. All seven field officers compile and submit quarterly reports to the Director of Field Operations who maintains a four-year cumulative report for the current exercise window. This information is used to verify the required exercises or events for the municipality. If an exercise is a repeat, it is not included in the measure. Once the current four-year cumulative report by region is updated, a simple sum of the seven regions is calculated, which is divided by the total number of municipalities to produce a cumulative percentage.

This is a Microsoft Access database managed internally to allow for continuous improvement for tracking and security of information. Reports are generated from this database to identify the municipalities that exercised their plans during the fiscal four-year period.

7. c) Fire deaths per 100,000 population (10-year moving average)

Data Source: Section 9 of the Administrative Items Regulation AR 16/2004 under the *Safety Codes Act*, requires that a Safety Codes Officer for the fire discipline who investigates the causes and circumstances of a fire must, immediately notify the Fire Commissioner if the fire has resulted in loss of life. Additional sources of information on fire deaths are: insurance companies/adjusters, Medical Examiner's Office and police departments. The total number of fire deaths is revised as information is received from these sources. Alberta Official Population data is obtained from the Alberta Municipal Affairs website.

Methodology: In 2010-11, continual improvements were made to the web-based application called the Fire Electronic Reporting System (FERS) to enable fire departments and insurance professionals to input fire incident data online. The Fire Statistics Reporting Manual and fire incident reports (PDF format) are also posted on the Alberta Emergency Management Agency website to enable reporting agencies easy online access to fire reporting.

The data is collected in either hard copy or electronically through FERS. Data from the hard copies is keyed into the system and validated and then fire death figures are extracted using a SAS software program and manually entered into an Excel spreadsheet. The Alberta population figures are then entered into the Excel spreadsheet to calculate the fire death rates, which are plotted in a bar-chart as 10-year moving averages. The data and the measure relate to a calendar year, which is consistent with reports produced by Statistics Canada and other jurisdictions, enabling comparisons.

The formula for the fire death rate for each year is as follows:

$$\left(\frac{\text{Revised number of fire deaths per year}}{\text{Population}} \right) \times 100{,}000$$

The fire death rate for the current year and each of the preceding nine years are averaged to produce the 10-year moving average statistic.

Discussion and Analysis of Results

GOAL 1: A responsive, collaborative, and well-managed local government sector which is sustainable

Linked to Core Business 1 – Support the viability and long-term sustainability of municipalities and their communities

Administered the Municipal Sustainability Initiative

Announced in 2007, the Municipal Sustainability Initiative (MSI) is the Province of Alberta's commitment to provide significant long-term funding to enhance municipal sustainability and to enable municipalities to meet the demands of growth. Under this initiative, municipalities received $876 million in provincial funding in 2010-11. Of this, $47 million was allocated to conditional operating projects and the remainder to qualifying capital projects.

Capital Funding – In 2010-11, the ministry provided $828.9 million in MSI capital funding. A total of 603 MSI capital projects were accepted by the Minister. The MSI funding for these projects will be used for municipal roadways, bridges and related facilities (38 per cent); public transit vehicles and facilities (eight per cent); recreation, parks, sports, and community facilities (16 per cent); protective and emergency services facilities and equipment (12 per cent); and other municipal infrastructure (26 per cent).

MSI projects accepted in 2010-11 include the City of Edmonton's application to rehabilitate several primary roadways, including road resurfacing and sidewalk replacement; the Municipal District of Big Lakes' application to purchase a fire tanker truck; and the Town of Wainwright's application to install new water distribution lines along and repave a portion of 14 Street.

Previously accepted MSI projects under way in 2010-11 include the City of Calgary's project to design and construct a west light rail transit line; the Municipal District of Bonnyville's project to construct a transportation and utilities facility; and the Village of Clive's project to replace the sanitary sewer main and repave a portion of 51 Avenue.

Operating Funding – The ministry provided $47.1 million in MSI conditional operating funding to assist municipalities in providing needed services in their communities. A total of 941 MSI operating projects were accepted by the Minister. The funds for these projects support planning activities (11 per cent); capacity building (12 per cent); municipal services (68 per cent); and assistance to non-profit organizations (nine per cent).

Many municipalities are using their MSI operating funding towards projects that enhance their long-term sustainability. For example, the Town of Grimshaw is developing a municipal sustainability plan, Flagstaff County is preparing a social sustainability framework, and Lethbridge County and the Village of Nobleford are partnering to create an intermunicipal development plan.

Municipal Sustainability Strategy

A municipal-provincial working group has developed and proposed a strategy to help and empower municipalities in strengthening their long-term success and sustainability. The strategy, released in November 2010, is presented in the report, *Building on Strength: A Proposal for Municipal Sustainability for Alberta*. Its intent is to help ensure that municipalities are able to deliver well-managed, collaborative and accountable local government to Albertans.

The proposed strategy provides municipalities with enhanced tools to help in delivering essential services, planning strategically, and managing risks. It includes a self-assessment toolkit for municipalities, an inventory of capacity-building resources, and a new and transparent municipal viability review process with a focus on developing locally driven solutions to local sustainability issues.

Municipal leaders and the public were invited to review the strategy and make suggestions. The ministry is considering feedback and plans on finalizing the strategy later in the 2011-12 fiscal year.

The working group that developed this made-in-Alberta strategy was composed of representatives from Municipal Affairs, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Local Government Administration Association, the Alberta Rural Municipal Administrators' Association, and the Association of Summer Villages of Alberta.

Supporting the Capital Region Board and the Calgary Regional Partnership

Municipal Affairs continued to provide support and assistance to strategic planning initiatives in the Capital and Calgary regions.

The ministry liaised with the Capital Region Board (CRB) in its work toward implementation of the Capital Region Growth Plan that was formally approved by the province in the spring of 2010. The plan is an integrated and strategic approach to development for future growth, and the outcome of collaborative efforts by mayors and reeves from 24 municipalities in the Alberta Capital Region.

The long-term growth plan focuses on regional land-use planning, intermunicipal transit planning, a regional geographical information system, and strategic planning for affordable and social housing. Municipal Affairs supports the CRB through the provision of advice and funding. In 2010-11, the ministry provided $3 million to assist the CRB with ongoing operational costs. The ministry also worked with the CRB to clarify and amend a section of the regional evaluation framework that is used by the Board in ensuring that new municipal land-use plans, and newly amended plans, are consistent with long-term regional interests.

In 2010, the ministry led a comprehensive cross-ministry review of the Calgary Metropolitan Plan, a regional land-use plan developed by the Calgary Regional Partnership (CRP). The provincial review was undertaken at the request of the CRP, which is a voluntary organization of municipalities in the Calgary region.

As a result of the review, the Minister has provided suggestions for further work that would be needed for successful implementation, and encouraged the partnership to resubmit its revised plan in December 2011. In 2011, the Ministry committed $2.5 million to the CRP for operational support and continued development of the plan.

Municipal Affairs will provide continued support as revisions to the plan are submitted to the Minister.

Support for Implementation of the Land-use Framework

Municipal Affairs continued to assist with the implementation of the province's Land-use Framework. The ministry has worked with regional advisory committees and the Land Use Secretariat in developing regional plans for two of the seven land-use planning regions under the framework (the Lower Athabasca and the South Saskatchewan regions).

The ministry also participates in cross-ministry initiatives on the efficient use of land, fragmentation and conversion of agricultural land, and cumulative effects management.

Support for Strategic Planning for Alberta's Oil Sands

Municipal Affairs continues to support several cross-ministry initiatives, led by the Oil Sands Secretariat, in support of comprehensive land and infrastructure planning in the Athabasca oil sands region. The ministry continues to participate in efforts to develop a long-term blueprint for future infrastructure (the Comprehensive Regional Infrastructure Sustainability Plans), establish a proactive process for land disposition and development of Crown lands around urbanized areas such as Fort McMurray, and move forward in support of the province's 20-year strategic plan for Alberta's oil sands, *Responsible Actions: A Plan for Alberta's Oil Sands*.

Regional Collaboration Program

Initiated in 2010, the Regional Collaboration Program provided $12.8 million to improve the viability and long-term sustainability of municipalities through strategic activities related to regional collaboration and capacity building. The program is comprised of four components: Regional Collaboration, Mediation and Co-operative Processes, Municipal Internship, and Strategic Initiatives.

Regional Collaboration – Municipal Affairs provided support for strategic regional approaches to municipal service delivery and governance. Eighteen applications were processed in support of projects such as establishing regional governance frameworks and enhancing regional emergency, water, wastewater, recreation and economic development services; three applications were processed for the start-up costs of regional services commissions; and one application was processed to cover transition costs related to one dissolution.

Mediation and Co-operative Processes – The ministry provided support for building relations within and between municipalities and resolving regional and intermunicipal issues. Grant funding was approved to help resolve six intermunicipal disputes, and to develop three intermunicipal co-operation protocols, two intramunicipal protocols, and one citizen engagement program.

Municipal Internship – The ministry provided support to municipalities and planning service agencies to recruit, train, and retain competent municipal employees who can progress into leadership positions. Grant funding was provided to assist 39 municipalities and one planning service agency with the costs (salary, benefits and training) of placement of 21 administrator interns and seven land-use planner interns. A number of municipalities worked out partnering arrangements to jointly host an intern.

Strategic Initiatives – Municipal Affairs provided support for initiatives that address municipal or intermunicipal special needs or circumstances of strategic significance. For example, grant funding was provided under this component of the program toward core operating costs of the Capital Region Board.

Grants in Place of Taxes

The ministry also provided additional financial support to municipalities, through $45.2 million in Grants in Place of Taxes. These grants provide municipalities with a grant for the property taxes that would be recoverable on Crown property if it were not exempt from taxation, as well as the municipal portion of property taxes on non-profit, unsubsidized, self-contained seniors' accommodations.

Municipal Restructuring

Municipal Affairs continued to facilitate municipal restructuring processes, which can include amalgamation, dissolution, change of status, change in official names of municipalities, and formation of new municipalities (although no new municipality has been formed since the Municipality of Jasper in 2001). In 2010-11, the ministry was involved in dissolution studies in eight municipalities, a process in which a municipality explores the possibility of becoming part of a bordering municipality. Two of the municipalities, the villages of New Sarepta and Derwent, dissolved to become hamlets in the neighbouring municipal districts as a result of public votes. The Ministry also facilitated the change in status of the City of Lacombe (from town to city), and the renaming of the Municipal District of Northern Lights No. 22 to the County of Northern Lights.

Recognizing Municipal Excellence

Municipal Affairs launched a new and improved Municipal Excellence Resource Library on the ministry's website. The online library contains more than 600 municipal practices, bylaws and policies that have been submitted over the years for sharing with other municipalities. The purpose of the library is to share and recognize the knowledge and good work of Alberta municipalities through practices like the Get Lost card, a Grande Cache initiative that provides visitors with discounts at small local businesses. In the Town of Cochrane, a recently developed purchasing policy stipulates the Town's commitment to fairness when conducting purchases and awarding contracts, while a community standards bylaw in the Town of Okotoks outlines required standards of behaviour and property maintenance to ensure a safe and enjoyable community. The resource library is an invaluable resource that provides municipalities the opportunity to share knowledge and resources to improve service delivery and governance.

Minister's awards were presented in 2010 in three categories of excellence, in addition to an outstanding achievement category. The outstanding achievement award went to Kneehill County, on behalf of 62 municipalities in the Canadian Badlands region, for a new and collaborative approach to creating an integrated, destination-based tourism industry. Awards also went to the Town of Okotoks for its water management plan (innovation category); the Town of Cochrane for the RancheHouse Accord, an intermunicipal partnership agreement with Rocky View County (partnership category); and the Regional Municipality of Wood Buffalo for its "Safe Harbour: Respect For All" program (safe communities category).

Abandoned Oil and Gas Wells

Municipal Affairs is working with the Ministry of Energy and the Energy Resources Conservation Board to address matters related to development in the vicinity of abandoned oil and gas wells.

The ministry is amending the Subdivision and Development Regulation to make it mandatory for applicants for a subdivision or development permit to check for the presence of abandoned wells and comply with setbacks established by the Energy Resources Conservation Board. A focused stakeholder consultation on proposed amendments to the regulation was completed in January 2011 and this input has been considered in refining the proposed changes to the regulation.

An updated advisory bulletin, *Advisory Land Use Planning Notes on Abandoned Well Sites*, was issued to all municipalities and posted on the Municipal Affairs website in August 2010. This document provides advice to municipal officials, planners, development officers and landowners on obtaining information about the locations of abandoned oil and gas well sites, and how to accommodate them within areas where development, subdivision or construction may occur.

Support for Other Key Government Priorities

Municipal Affairs is involved in cross-ministry initiatives related to a number of government priorities through its work on committees in support of the Provincial Energy Strategy and initiatives to address homelessness and affordable housing. The ministry also supports the implementation of the Water for Life strategy, and the Rural Development Strategy through Rural Alberta's Development Fund.

2010 Municipal Elections

Training activity geared up for election officials and prospective candidates in the months before the general municipal elections of October 2010. Twelve full-day workshops were attended by a total of about 360 election officials, and five half-day refresher sessions were attended by about 140 officials, in preparing to conduct the elections in accordance with procedures under the *Local Authorities Election Act*. About 215 persons attended five half-day sessions for individuals who were considering running for municipal office.

In addition, 200 people participated in a half-day videoconference session for election officials, and another 220 people connected into a half-day video conference session for prospective candidates. Ministry staff handled a large volume of phone inquiries in the weeks leading up to the elections.

Advice, Analysis and Assistance for Municipalities

The ministry continued to be a key point of contact for municipalities on a daily basis. The ministry provides advice, analysis and assistance to municipalities, residents, and other stakeholders on matters related to finance, governance, administration, land-use planning, municipal restructuring and dispute resolution. Examples of this work include:

- Providing ongoing advice to elected/appointed officials and other Albertans by phone, correspondence, personal contact, handbooks, publications, website, and participation at meetings and conferences. One unit within the ministry responded to 794 letters and emails in 2010-11 on financial, governance and administrative matters.
- Providing training for municipal officials on roles and responsibilities of councillors and administrators; on minutes, policies and bylaws (for administrators); and on tax recovery (for tax clerks). A total of 13 training sessions were attended by 483 individuals.
- Completed inspections on matters related to the management, administration or operation of two municipalities.
- Appointed official administrators in four municipalities to provide expert advice on municipal operations.
- Providing ongoing advisory services to municipal officials, government agencies, the public and industry on a variety of land-use planning and development matters, including the interpretation, application and compliance with statutes affecting land development, and the application of planning methods.
- Offering eight one-day training sessions to more than 240 municipal members of subdivision and development appeal boards at six locations across Alberta.
- Facilitating the establishment of, and changes to, regional services commissions that supply various types of services to member municipalities.
- Issuing the 2010 Official Population List, which shows the official population figures of municipalities and Métis Settlements as of September 1, 2010.

GOAL 2: A well-managed, fair and efficient assessment and property tax system in which stakeholders have confidence

Linked to Core Business 1 – Support the viability and long-term sustainability of municipalities and their communities

Standards for Assessment Quality

As part of the ministry's process to review the assessment information reported to the department by each municipality, the following activities took place:

- Conducted annual assessment audits on all municipalities in Alberta. This process involves the completion of ratio studies and other statistical analysis for all municipalities to ensure compliance with legislated provincial quality standards and, where required, recommending remedial actions.
- Conducted detailed assessment audits in 2010-11 of 43 municipalities, an audit of the assessments on 25 major forestry-related plants (sawmills, paper mills, etc.) in 18 municipalities, and a province-wide audit of the assessment notice packages that are sent by municipalities to taxpayers. A detailed audit combines results-oriented ratio studies with a review of procedures for conformity with applicable legal requirements and generally accepted assessment practices. Recommendations are made in areas of legislative compliance and assessment industry best practices, and a follow-up review takes place to ensure recommendations are addressed.
- Conducted extensive reviews in 2010 of the valuation of 288 Crown properties. Crown-owned property is reviewed annually for the purposes of the payment of grants in place of taxes.
- Managed the Assessment Shared Services Environment (ASSET) system, which is used to analyze the annually reported property assessment values of municipalities to determine if the values meet legislated quality standards. ASSET also enables the province to use the reported assessment values in preparing the annual equalized assessments for each municipality. The equalized assessments are then used for tax requisitioning purposes such as education tax.

Annual Processes Associated with the Assessment of Property and the Levying of the Education Property Tax

The ministry conducted, facilitated or implemented processes associated with property assessment in Alberta and the annual levy of the education property tax. The ministry:

- Prepared the linear property assessments of 1,021 companies on behalf of 347 municipalities. This assessment generates about $900 million in municipal and education property tax and is based on property that includes oil and gas wells, pipelines, electric power systems, and telecommunication systems. For the 2011 tax year, the total linear property assessment was $63.4 billion, representing an increase of 0.34 per cent from 2010.
- Responded to linear assessment complaints filed with the Municipal Government Board. For the 2010 tax year there were 32 complaints filed with the Board. Seven of the complaints resulted in two Board merit hearings that concluded in November 2010 with a reduction in the assessment. All other complaints were either withdrawn or resolved without a Board merit hearing.
- Managed the 2011 equalized assessment process. Equalized assessments are used in calculating the education requisitions that are sent to municipalities each year. The process includes, for quality assurance purposes, a review of year-over-year assessment changes in each municipality, checking the tax codes that are applied to properties in the municipality, and contacting assessors if corrections are required in the municipality's reported information. The 2011 provincial equalized assessment decreased by 6.5 per cent to $689.9 billion, from $737.5 billion in 2010.

- Managed the 2011 education requisition process. As part of this process, growth data was collected and analyzed to determine the total provincial education requisition, and the 2011 education property tax requisitions were prepared and delivered to municipalities through the Municipal Education Requisition Online (MERO) system.
- Proceeded with the cyclical review of the regulated rates that are applied to the types of industrial property that is assessed on the basis of regulated rates and procedures (machinery and equipment, railway, and linear property).

Implementing the New Assessment Complaints System

The ministry implemented a new system for property assessment complaints effective January 1, 2010. The year 2010-11 marked the roll out of the new system and most Alberta assessment review boards met the time requirements to make decisions on assessment complaints as set out in the legislation. Assessment complaints are being processed in a timelier manner, and accordingly, the new system has led to a more timely and efficient complaint process.

The new system came into effect after consultation with municipalities, assessors, taxpayers and their associations. It introduced a more streamlined and effective board structure to hear assessment complaints, new training and qualification rules for board members and clerks, more openness and transparency, and new requirements for access to, and disclosure of, assessment information between parties to the complaint.

In 2010-11, about 9,000 assessment complaints were filed to assessment review boards across the province. Decisions rendered by the boards resulted in the filing of approximately 60 reported leaves to appeal the matters further to the Court of Queen's Bench. In 2010-11, only three requests were made by review boards for extensions to the time allowed for them to make decisions on the complaints.

One of the key features of the new system is the mandatory training requirement. Training continues to be provided to prospective clerks and members of assessment review boards as a basic qualification to participate in administering the assessment complaints system for their municipalities or regional boards. In 2010-11, 44 training sessions were delivered, and 110 clerks and 413 board members successfully completed the training program (for a total of 341 clerks and 638 board members being qualified to participate in the hearing process). An online registry of qualified board members and clerks has been established to assist municipalities in ensuring that qualified resources are available to conduct the hearings.

Information, Advice and Consultation on Assessment and Property Tax Matters

The ministry provided information and advice and consulted with stakeholders on assessment and property tax matters, which included the following:

- Publications related to the new assessment complaints process, and posted the information on the Municipal Affairs website.
- Training to assessment students at Lakeland College to develop knowledge and expertise on assessment practices and legislation.
- Continued to work with the Alberta Assessors' Association under a five-year plan for the Property Assessment in Alberta Handbook. An updated five-year plan was submitted to the association in September 2010 and includes priorities put forward by the association. The plan provides details on module preparation and/or review, and responsibilities for determining if a new module is needed or if an internal update is sufficient. Also in September 2010, how-to-guides were prepared on the assessment of mixed-use property, big box retail, and supermarkets.

GOAL 3: Support of the province's information, historical and cultural resources through a strong province-wide public library network and support to the francophone community

Linked to Core Business 1 – Support the viability and long-term sustainability of municipalities and their communities

Grants and Funding to Support Public Library Service

The ministry provided $30.1 million in funding to support public library service. This included:

- $25.4 million in operating grants to 224 municipal and community boards and seven regional library system boards operating 312 public libraries;
- $2.5 million to The Alberta Library and the Alberta Public Library Electronic Network to support shared networked services, electronic resources, library awareness and marketing, and staff training; and
- $2 million to provide access to the Alberta SuperNet for 300 public libraries.

The Ministry continues to collaborate with the Canadian National Institute for the Blind for services to print-disabled Albertans.

MLA Committee on the Future of Public Library Service

The ministry continued the implementation of recommendations from the MLA Committee on the Future of Public Library Service report, Framework for the Future: Positioning Alberta Libraries for the 21st Century, which was released in April 2009. Highlights in 2010-11 include:

- The development of a province-wide public library technology plan report;
- A review of Alberta's seven regional library systems;
- Enhanced support for electronic resources for Albertans to access through public libraries; and
- The continuing work of the Assistant Deputy Minister Library Services Committee to improve collaboration, and strategic alignment between government ministries.

Francophone Secretariat

The Government of Alberta, through Municipal Affairs, launched the new http://bonjour.alberta.ca website providing French-speaking Albertans with enhanced access to existing government resources in French.

As part of the 2010-11 French Language Services action plan, more than 25 initiatives received funding to develop and/or enhance programs and services in French, in areas including health, settlement services, heritage preservation and major festivals.

Goal 4: Enhance financial and operational accountability of municipalities

Linked to Core Business 2 – Enhance municipal accountability

Re-Engineering Initiative on Municipal Grants/Accountability Framework

In 2010, the Alberta government consolidated and streamlined 77 municipal grant programs into 18 provincial programs and four federal grant programs that are administered by the province. This streamlining initiative has improved the ability of municipalities to access grant funding, increased efficiencies, reduced duplication, and reduced the administrative burden on local governments in accessing the full suite of provincially administered grant programs.

The streamlining initiative was a key component of the Government Re-Engineering Initiative on Municipal Grants, which is focused on the creation of a better system for access to grant funding by local governments, improved delivery of grant programs, and accountability in the use of provincial funding for municipalities.

Access to grant funding has also been enhanced through the introduction of standardized application forms, program guidelines, and reporting documents for consolidated programs. In addition, municipalities are now able to find information through the Municipal Grants Web Portal, a public website that serves as a common front-counter for information on all provincial and joint provincial-federal grant programs for municipalities.

The internet address of this Web Portal is: http://municipalaffairs.alberta.ca/municipalgrants.cfm

Additionally, grant funding reports were prepared for all municipalities, Métis Settlements, regional services commissions, and constituencies in Alberta. These reports provide easy and transparent access for MLAs and the public to grant funding information, and are available on the Web Portal.

These improvements in access to grant resources were communicated to local government stakeholders through a series of six information sessions held in April 2010. The development of a performance measures framework for municipal grants is also underway.

Local Authorities Election Act

Legislative amendments were made to improve transparency and public confidence in local elections by clarifying a number of rules for voters and those who run election campaigns. The amendments included provisions for disclosure and management of campaign contributions, and clarified residency rules in that a person may be a resident of only one place at a time for the purpose of voting.

Financial Reporting

The ministry assisted municipalities with the transition to new financial statement standards, including the preparation of new sample financial statements and updates to prescribed forms. The changes in financial reporting requirements were made in order to align with the revised accounting standards recommended by the Public Sector Accounting Board.

Municipal Government Act Review

A review of the *Municipal Government Act* (MGA) is proceeding and ministry staff have begun the necessary planning, data collection, research, and analysis work. The review will ensure that the *Act* continues to be a model piece of provincial legislation in Canada that sets out the roles, responsibilities and powers of local governments.

The MGA review will occur over a number of years, with the expectation that any required amending bill, arising from each review stage, would be introduced into a subsequent legislative session. Structuring the review in this way enables efficient and focused use of resources, while ensuring critical input for this initiative.

GOAL 5: Municipal Government Board administers appeals and issues timely and impartial decisions of high quality

Linked to Core Business 2 – Enhance municipal accountability

Changes to Alberta's Assessment Complaints and Appeals System

Major changes were implemented to Alberta's assessment complaints and appeals system on January 1, 2010 through an amendment to the *Municipal Government Act* under Bill 23. Under these changes, composite assessment review boards consisting of municipal and provincial representatives hear complaints about the assessment of residential property with four or more dwelling units, non-residential property, and machinery and equipment. The Municipal Government Board (MGB) provides the provincial

representative on the composite assessment review boards. The MGB continues to hear and decide on complaints about linear property assessment, equalized assessment appeals, subdivision appeals, intermunicipal disputes and to make recommendations on applications for annexations.

The MGB consulted with client groups throughout the province to complete the 2009 and earlier property assessment complaints in advance of 2010 composite assessment review board complaint hearings. Very few of these appeals remain.

Also included in the new legislation were changes to the linear property assessment complaint process, including a new submission process with fees. These changes were discussed in depth at a linear property workshop with the linear assessor, agents and linear property operators to enable the receiving and hearing of complaints to proceed efficiently.

To accommodate the increased hearing workload for meeting the requirements of the new assessment legislation, the MGB recruited 19 new board members to be the provincial representatives on composite assessment review boards.

Quarterly and Specialized Training Workshops

The MGB conducted quarterly and specialized training workshops with MGB members and staff to strengthen knowledge and skills needed to deliver and achieve quality adjudication processes and decisions on matters before the MGB and to prepare for the new assessment complaint system. Incorporated within these workshops was an initiative to encourage collaborative relationships between municipal assessment review board members and MGB members in adjudicating complaints under the new system.

GOAL 6: A comprehensive system of safety codes and standards that provides an appropriate level of public safety

Linked to Core Business 3 - Co-ordinate and encourage the safety system to support the development and maintenance of safe communities

Permitting and Inspection Services in Unaccredited Municipalities

Municipal Affairs is responsible for the delivery of safety codes compliance services (inspections and permitting) in unaccredited municipalities, which are delivered through agencies under contract with the department. The ministry continued to ensure continuity of service after the cancellation of a contract between Municipal Affairs and a large private inspection agency in 2009. Ministry staff inspected 95 per cent of approximately 4,000 open permit files by the end of 2010-11.

Tank Site Remediation Program

The Tank Site Remediation Program was established to clean up eligible current or former gas station sites contaminated by leaking underground petroleum storage tanks. Effective April 1, 2009, no new applicants were accepted into the program and budgeted funds were used to continue remediation of sites already accepted into the program. The 2010-11 budget was approved with $2 million in grant funding. This enabled the department to extend grant agreements and allocate funding to continue the clean-up of approved sites. In 2010-11, the program assisted in the remediation of 26 sites bringing the total number of sites remediated to 880. The preceding totals differ from the performance measure result, which is based on nine months of data in order to meet the Auditor General's reporting deadline for this year.

Educating Safety Codes Practitioners

The department presents seminars to educate and support safety codes inspectors from accredited bodies, industry and the public. This year, seminars focused on the tools available to private sewage treatment systems practitioners, implementation of the 2009 Private Sewage Standard of Practice, and providing building practitioners with recent building code interpretations and related information.

Regulatory Excellence

Both the Authorized Accredited Agencies Regulation and the Storage Tank System Management Regulation were updated and renewed, improving co-ordination between the two regulations and clarifying delegated powers. The Pressure Welder Regulation was amended to provide consistent expiry dates for all Grade C pressure welder certificates of competency. The Permit Regulation was amended to clarify permit requirements for temporary structures like stages and tents.

The Gas Code Regulation was amended to adopt three updated Canadian Standards Association codes. At the request of industry, and as a result of extensive research and deliberation by an industry working group, a consultation document was developed to survey stakeholders on proposed changes to the Power Engineers Regulation to address issues and accommodate innovation in the industry.

Master Electricians were consulted on proposed amendments to the Certification and Permit Regulation for mandatory code update training. Work to enhance the program will continue next year.

Reclaimed Water Working Group

Municipal Affairs provided support to the Canadian Standards Association (CSA) to develop a standard for nonpotable water treatment systems. The University of Guelph completed Alberta-specific guidelines on residential rainwater harvesting systems. The guidelines are now available to Albertans on the internet at: http://municipalaffairs.gov.ab.ca/CP_rainwaterharvesting.cfm.

These projects support the Reclaimed Water Working Group, an interdepartmental committee comprised of Environment, Health and Wellness, Infrastructure and Transportation, and led by Municipal Affairs. The working group continues to develop a management framework that facilitates the safe use of reclaimed water for domestic applications in Alberta, such as toilet or urinal flushing and landscape irrigation.

Changes to Alberta Building Code

Relocatable industrial units (Part 10 buildings) are used for a wide range of activities, including work camps in sectors such as oil and gas, forestry and construction. Changes were made to the Alberta Building Code for factory-built relocatable industrial accommodation units for all out-of-province and out-of-country manufacturing facilities. These changes remove unnecessary regulatory barriers and provide the capacity for national and international on-site factory inspection for compliance with the Alberta Building Code and the *Safety Codes Act* by third party certification bodies accredited by the Standards Council of Canada.

Amusement Ride Accident Investigation

On July 16, 2010, 10 riders were injured on an amusement ride operating at the Calgary Stampede. The ride was shut down following the accident and Alberta Municipal Affairs led an investigation by an independent engineering company to determine the cause of the accident. As a result of the investigation, the ministry has prepared recommendations that will enhance amusement ride safety in Alberta and help prevent similar accidents from occurring in the future.

Community Risk Management Stakeholder Forum

In spring 2010, the Minister directed the Public Safety Division to host a stakeholder forum to discuss issues related to implementing the building and fire code changes that were adopted to make communities safer from the spread of fires. Stakeholders, including municipal planners and municipal fire services, the home building industry, developers and the Safety Codes Council were invited to participate. The forum continues to meet as stakeholders have responded favourably to the collaborative approach and information sharing to discuss how the safety system can better deal with community risk management issues. The group met several times over 2010-11 and will continue meeting in 2011-12.

Community Models for Adaptable Seniors Housing

In winter 2010, the Minister directed his Parliamentary Assistant to conduct a research and consultation project on seniors housing. The project focused on how safety codes impact the development of seniors' housing, how seniors' housing is integrated into communities, and the value of universal design, a set of building design principles that enable a building to be easily adapted for persons who experience sensory and/or mobility deficiencies over time. Consultations were undertaken with government representatives from Seniors and Community Supports, Municipal Affairs, Health and Wellness, and Housing and Urban Affairs, as well as with members of the Community Risk Management Stakeholder Forum. The project provides a better understanding of issues around the development of seniors' housing, including supportive living, and will allow Municipal Affairs to be an effective partner with the Ministry of Seniors and Community Supports, which is leading the Aging Population Policy Framework. The Aging Population Policy Framework sets forth policy objectives for government to meet the needs of a rapidly growing seniors population.

Improving the Safety System

Municipal Affairs completed agreements with the Safety Codes Council for projects that will enhance the safety system by providing more information for decision-making, improving industry education and bettering public access to permit information. The four projects will:

- compare the Objective-based Industrial Electrical Code (OBIEC) and the Canadian Electrical Code to assess the risks and benefits of adopting OBIEC. The primary difference between the two codes is that OBIEC is a performance based code, allowing multiple solutions to a safety objective, whereas the Canadian Electrical Code is prescriptive, which can restrict the ability to use different solutions;
- research the risks and benefits of adopting a risk-based inspection regime over the current model;
- develop and deliver a training program for safety codes officers on inspecting building envelopes. A building envelope is the separation between the interior and exterior environments of a building that protects the indoor environment and facilitates climate control; and
- enhance the Safety Codes Council's e-SITE permitting system with more public information on orders and variances, and on owners, designers, contractors and manufacturers who have not complied with the safety codes system.

GOAL 7: A province-wide fire and emergency management system that protects the people of Alberta, their property, the environment and the economy from the effects of emergency events

Linked to Core Business 4 – Lead a high performance provincial fire and emergency management system

Major Emergency Events

The Government Emergency Operations Centre (GEOC) is now the Provincial Operations Centre (POC). The POC monitors all actual, emerging or potential emergency situations within the province – and outside the province where they have the potential to impact the citizens of Alberta. At a minimum, the POC is staffed 24/7 by a Duty Officer and an on-call Duty Manager who watch over and respond to minor emergency incidents. In the event of a more serious or complex incident the centre can be ramped up with a team of emergency management professionals (from across government and including external partners and stakeholders) in order to co-ordinate a government-wide approach to managing the incident.

The Provincial Operations Centre was activated six times in 2010-11, in response to the following major emergency events:

1) In April 2010, to provide support to municipalities for an extensive power outage in southern Alberta.
2) In May 2010, to provide support and assist in co-ordinating activities between the municipality and government ministries during the Opal/Mill Creek Wildfire in the County of Thorhild. The Agency Response Readiness Centre was also activated and a Major Event Support and Assistance vehicle was deployed.
3) In June 2010, to assist municipalities and provide support for extensive flooding in southern Alberta. A Major Event Support and Assistance vehicle was also deployed to assist the City of Medicine Hat and Cypress County in their response and recovery efforts.
4) In August 2010, to provide support and assist in co-ordinating activities during the Airdrie Train Derailment, the Agency Response Readiness Centre was activated and a Major Event Support and Assistance vehicle was deployed to be used as an Incident Command Post.
5) In January 2011, to monitor and provide logistical support to municipalities during a severe winter storm in southern Alberta, the Agency Response Readiness Centre was activated.
6) In January 2011, to monitor and conduct contingency planning and provide advice to senior Provincial authorities during the Innisfail Train Derailment.

Cross-government Business Continuity

The ministry, through the Alberta Emergency Management Agency (AEMA) has initiated discussions with the Government of Alberta's Corporate Human Resources and the ministries of Infrastructure and Solicitor General & Public Security, to improve co-ordination between their respective incident reporting procedures. In November 2010, a cross-government business continuity exercise took place involving 11 ministries and with the Cross-government Co-ordination Team providing them with practice on co-ordinating facility emergency response activities and business continuity activities.

Emergency Management Decision Support Initiative

The Emergency Management Decision Support Initiative (EMDSI) is an ongoing project which commenced in 2008 and which is designed to provide an integrated incident management solution to support emergency management operations. The project suffered a setback in the fall of 2010 when the solution had to be completely re-designed due to circumstances outside of AEMA's control. A basic replacement solution, however, was quickly developed in house and has been in place since October, 2010. The first round of enhancements to this basic solution underwent User Acceptance Testing in late March 2011 and will be operational in early April.

As further enhancements are realized, the initiative is expected to continue to increase ease and efficiency of operations by focusing on the use of decision support, asset management, tasking, communications and mapping tools. The solution will also foster better interoperability with other organizations, both within and external to Alberta, with the integration of the Federally sponsored Multi-Agency Situational Awareness System, which will allow rapid and automated communication of critical information between geographically and technically diverse emergency management software systems.

Fire and Emergency Services Training Initiative

The purpose of the Fire and Emergency Services Training Initiative (FESTI) is to establish clear training standards and make those standards achievable for all emergency response personnel (including career, part-time paid and volunteer). The goal is to allow for increased accessibility to training and improve the accountability and predictability of training outcomes through the use of competency-based performance standards. FESTI's training system increases training options while maintaining quality of the graduates, contributing towards overall enhanced safety, enhancing the public safety system and reducing liabilities for emergency response services in Alberta.

Phase 1 of the FESTI was completed July 30, 2010. The goal of Phase 1 was to gather information to enable an understanding of alternative approaches to training systems, as well as identify risks in developing and implementing a new training system. Specific work components include: an assessment of what exists in Alberta, what solutions have been successfully implemented here and elsewhere, and options and models for how a training system could work in Alberta.

Phase 2 was completed by March 31, 2011. The desired outcome of Phase 2 is to implement recommendations for a public safety training system that is endorsed by major stakeholders and includes ministries and emergency services disciplines. Phase 2 includes:

- engaging stakeholders to support acceptance and agreement of the new training system;
- conducting stakeholder consultations to work through the design details and ensure solutions are co-created by affected participants; and
- developing and submitting a final report to government decision-makers that makes proposals and recommendations relating to the new training system mandate, funding model and list of participants and their roles and responsibilities.

Emergency Public Warning System Modernization Project

The modernized Emergency Public Warning System (EPWS), now called Alberta Emergency Alert (AEA), is intended to incorporate new technologies including satellite television, satellite radio and internet protocol-managed television. In April 2010, the prototype for Alberta Emergency Alert was completed. A select group of distributors participated in round 1 testing and provided valuable feedback to AEMA.

The Government of Alberta is now developing an in-house solution for Alberta Emergency Alert which is proceeding through three phases:

- Phase A was the development of a working prototype, using the hardware, software and infrastructure to demonstrate a successful end-to-end alert through the system. Testing was internal to Municipal Affairs with no stakeholder involvement. As of January 2011, AEA Phase A was successfully completed.
- Phase B will be the initial deployment to a small sample of distributors (10-12) to confirm specific configurations and finalize site-specific installation plans.
- Phase C will be the full deployment of the final product, including the training and public education campaign. Preparation for Phase C, including purchase of remaining required hardware, will run concurrently to Phase B. Full launch of AEA is planned for fall 2011.

To provide emergency warnings to Albertans in the interim, the service provided by CKUA for the current Emergency Public Warning System was extended to March 31, 2012.

Alberta Emergency Partners Symposium

The Government of Alberta Emergency Partners Symposium was held February 16, 2011 in Edmonton and approximately 180 representatives of 26 ministries, organizations or agencies attended. During the symposium, experts spoke in detail about their experiences with recent emergencies including the WCB hostage taking incident, the CNRL well blowout at Hythe and the Rocky View/Airdrie train derailment. Breakout sessions gave opportunity for discussion and deliberation, and valuable input was gathered from our partners. Focus was on learning from past experience and benefitting from the expertise of our partners in order to improve future preparedness and response. The message of the day was that stronger partnerships will lead to quicker, more effective co-ordination during an emergency.

Emergency Management Stakeholders' Summit

The third annual Emergency Management Stakeholders Summit was held in Edmonton in November 2010. There were over 300 attendees, including public safety system stakeholders. The Summit's mandate was to review current events, share interoperable strategies and develop networks to further the relationships needed for the successful operation of Alberta's emergency management systems. The Summit featured breakout sessions focused on health, training, regionalized information and recovery programs. Keynote speakers demonstrated the co-ordination of emergency management systems on provincial, national and international levels.

Other 2010-11 results include:

- $650,000 was provided to 38 regional municipalities for Fire Services and Emergency Preparedness training.
- $150,000 was provided to 14 search and rescue organizations for search and rescue service training.
- $192 million was approved by the Legislature for ten disaster recovery programs and one municipal wildfire assistance program that were launched to assist residents, small businesses and municipal governments to recover from uninsurable damage caused by severe storms and wildfires.
- $10.0 million was approved for one municipal wildfire assistance program to assist the County of Thorhild with the costs of fighting a wildfire outside the Forest Protection Area.
- The ministry facilitated the approval of 40 municipal requests for federal Joint Emergency Preparedness Program grants, totalling over $589,000.

Expense by Function

Ministry of Municipal Affairs
For the year ended March 31, 2011
(thousands of dollars)

	2011		2010
	Budget	Actual	Actual (Restated)
Protection of Persons and Property	$ 23,325	$ 165,755	$ 47,707
Regional Planning and Development	930,884	927,295	482,869
General Government	43,425	45,197	39,557
Recreation and Culture	32,889	33,436	34,329
	$ 1,030,523	$ 1,171,683	$ 604,462

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103 Special Areas Trust Account Financial Statements

**NOTE: The unaudited financial information being presented here was derived from the December 31, 2010, financial statements of each Improvement District.*

Ministry of Municipal Affairs

Consolidated Financial Statements

March 31, 2011

Auditor's Report
Consolidated Statement of Operations
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements
Schedules to the Consolidated Financial Statements:

1 Revenues
2 Expenses- Directly Incurred Detailed by Object
3 Budget
4 Related Party Transactions
5 Allocated Costs

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Municipal Affairs as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 6, 2011

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2011
(in thousands)

	2011		2010
	Budget (Schedule 3)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Internal Government Transfers	$ 26,000	$ 26,000	$ 26,000
Transfers from the Government of Canada	650	3,171	(11,890)
Premiums, Fees and Licences	361	546	237
Other Revenue	2,234	14,914	20,563
Net Income (Loss) from Commercial Operations	75	384	(702)
	29,320	45,015	34,208
Expenses - Directly Incurred (Note 2c and Schedule 5)			
Voted (Schedule 2)			
Ministry Support Services	13,119	11,589	11,576
Municipal and Assessment Services	26,009	21,973	22,869
Municipal Sustainability Initiative	876,000	876,000	400,000
Regional Grant Programs	54,964	58,039	83,715
Public Safety	10,118	9,908	13,901
Alberta Emergency Management Agency	13,126	155,818	33,894
Municipal Government Board	4,103	4,918	4,299
Library Services	31,723	32,246	33,194
Francophone Secretariat	1,161	1,177	1,151
	1,030,323	1,171,668	604,599
Statutory (Schedule 2)			
Valuation Adjustments			
Provision for Doubtful Accounts	-	48	7
Provision for Vacation Pay	200	(33)	(144)
	200	15	(137)
	1,030,523	1,171,683	604,462
Net Operating Results	$ (1,001,203)	$ (1,126,668)	$ (570,254)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2011
(in thousands)

	2011	2010 (Restated - Note 3)
ASSETS		
Cash and Cash Equivalents	$ 3	$ 4
Accounts Receivable (Note 5)	97,940	108,997
Loans and Advances	8	9
Tangible Capital Assets (Note 7)	3,793	3,777
Deferred Charge	3	15
Equity in Commercial Operations (Note 4)	4,936	4,552
	$ 106,683	$ 117,354
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 192,523	$ 98,818
NET ASSETS		
Net Assets at Beginning of Year	18,536	46,009
Net Operating Results	(1,126,668)	(570,254)
Net Financing Provided from General Revenues	1,022,292	542,781
Net (Liabilities) Assets at End of Year	(85,840)	18,536
	$ 106,683	$ 117,354

Contractual obligations and contingent liabilities (Notes 8 and 9)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2011
(in thousands)

	2011 Actual	2010 Actual (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,126,668)	$ (570,254)
Non-cash items included in Net Operating Results:		
Amortization	1,346	1,423
Deferred Charge	12	33
Valuation Adjustments	15	(137)
Net (Income) Loss from Commercial Operations	(384)	702
	(1,125,679)	(568,233)
Changes in Working Capital		
Decrease in Loans and Advances	1	-
Decrease in Accounts Receivable	11,009	10,672
Increase in Accounts Payable and Accrued Liabilities	93,738	16,954
Cash Applied to Operating Transactions	(1,020,931)	(540,607)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,362)	(2,170)
Cash Applied to Capital Transactions	(1,362)	(2,170)
Financing Transactions		
Net Financing Provided from General Revenues	1,022,292	542,781
Cash Provided by Financing Transactions	1,022,292	542,781
(Decrease) Increase in Cash and Cash Equivalents	(1)	4
Cash and Cash Equivalents, Beginning of Year	4	-
Cash and Cash Equivalents, End of Year	$ 3	$ 4

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE COLSOLIDATED FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act* , Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The Ministry works in partnership with Alberta's municipalities, other provincial government departments, our federal partners, local authorities, various organizations focused on local issues, and the private sector to ensure Albertans live in safe and sustainable communities and are served by open, effective, accountable and well-managed local governments.

This is done by:

- Assisting municipalities in providing well-managed, collaborative, and accountable local government to Albertans.
- Administering a safety system that strives to ensure appropriate safety standards for the construction and maintenance of buildings and equipment.
- Managing the network of municipal and library system boards to provide province-wide access to high-quality public library services for Albertans.
- The Alberta Emergency Management Agency reports directly to the Minister and is responsible for co-ordinating a comprehensive, cross-government, all-hazards approach to managing emergencies in the province.
- The Municipal Government Board is an independent, quasi-judicial board that conducts hearings and renders decisions on such matters as property assessment, and provides recommendations to Cabinet on matters defined under the *Municipal Government Act* , such as contested annexations.
- Managing 2.8 million acres of public land in the Special Areas and provides municipal services to the dryland region in eastern Alberta through the Special Areas Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The Government Accountability Act defines a Ministry as including the Department and any Provincial agency and Crown-controlled organization for which the Minister is responsible. These consolidated financial statements include the accounts of the Department of Municipal Affairs (Government Organization Act) and the Safety Codes Council (Safety Codes Act). The Ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 10.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Consolidation

The accounts of the Safety Codes Council are reported on the modified equity basis, the equity being computed in accordance with generally accepted accounting principles.

The Ministry's Annual Report for the year ended March 31, 2011 includes the Safety Codes Council audited financial statements for the year ended December 31, 2010.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The Ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at their fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets/Net Liabilities

Net assets represents the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Estimates relating to the determination of the Government of Canada accounts receivable $97,751 (2010-$108,699), the accrued liabilities for the Disaster Recovery Program $113,275 (2010-$37,966) and Tank Site Remediation Program $5,039 (2010-$5,749), as disclosed in these financial statements are subject to measurement uncertainty.

The Government of Canada accounts receivable is mainly related to Disaster Recovery Programs $93,880 (2010-$101,367) that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 PROGRAM TRANSFER
(in thousands)

The Francophone Secretariat was transferred to the Ministry of Municipal Affairs effective April 1, 2009. As a result of the transfer, comparatives for 2010 have been restated as if the Ministry had always been assigned with its current responsibilities.

Net assets on March 31, 2009 is made up as follows:

Net assets as previously reported	$ 42,030
Transfer from the Department of Employment and Immigration	3,979
Net assets at March 31, 2009	$ 46,009

NOTE 4 EQUITY IN COMMERCIAL OPERATIONS

(in thousands)

For the year ended December 31:

	2010	2009
Equity in Commercial Operations, Beginning of Year	$ 4,552	$ 5,254
Total Revenues	5,377	4,513
Total Expenses	(4,993)	(5,215)
Equity in Commercial Operations, End of Year	$ 4,936	$ 4,552

Equity in commercial operations is solely the Safety Codes Council.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Government of Canada	$ 97,751	$ -	$ 97,751	$ 108,699
Other	331	(142)	189	298
	$ 98,082	$ (142)	$ 97,940	$ 108,997

Accounts receivable are unsecured and non-interest bearing.

NOTE 6 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, loans and advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $93,880 (2010-$101,367), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the Ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the Ministry is unable to estimate the fair value.

NOTE 7 TANGIBLE CAPITAL ASSETS

(in thousands)

	2011			2010
	Equipment	Computer Hardware and Software	Total	Total
Estimated useful life	10 years	5 years		
Historical Cost				
Beginning of year	$ 2,318	$ 15,381	$ 17,699	$ 15,529
Additions	348	1,014	1,362	2,170
Disposals, including write-downs	-	(806)	(806)	-
	$ 2,666	$ 15,589	$ 18,255	$ 17,699
Accumulated Amortization				
Beginning of year	$ 1,306	$ 12,616	$ 13,922	$ 12,499
Amortization expense	218	1,128	1,346	1,423
Effect of disposals	-	(806)	(806)	-
	$ 1,524	$ 12,938	$ 14,462	$ 13,922
Net book value at March 31, 2011	$ 1,142	$ 2,651	$ 3,793	
Net book value at March 31, 2010	$ 1,012	$ 2,765		$ 3,777

NOTE 8 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Operating Expense		
Service Contracts	$ 13,998	$ 30,640
Agreements [1]	9,124,000	10,003,894
Long-Term Leases	563	646
	$ 9,138,561	$ 10,035,180

[1] Agreements of $9,124,000 relates to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Long-Term Leases	Total
2011-12	$ 9,157	$ 886,000	$ 112	$ 895,269
2012-13	4,543	896,000	112	900,655
2013-14	174	1,050,000	112	1,050,286
2014-15	124	1,400,000	112	1,400,236
2015-16	-	1,400,000	98	1,400,098
Thereafter	-	3,492,000	17	3,492,017
	$ 13,998	$ 9,124,000	$ 563	$ 9,138,561

NOTE 9 CONTINGENT LIABILITIES

(in thousands)

At March 31, 2011 the Ministry is a defendant in six legal claims (2010 – seven legal claims). Four of these claims have specified amounts totaling $51,356 and the remaining two have no specified amount (2010 – three claims with a specified amount of $51,266 and four with no specified amount). Included in the total legal claims are two claims amounting to $50,000 (2010 – three claims amounting to $50,166) in which the Ministry has been jointly named with other entities. One claim amounting to $160 (2010 – no claims) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2010 and December 31, 2009 are as follows:

	2010	2009 (Restated)
Special Areas Trust Account	$ 218,966	$ 207,122
Improvement Districts' Trust Account	8,927	7,401
	$ 227,893	$ 214,523

NOTE 11 PAYMENTS UNDER AGREEMENT

(in thousands)

The Ministry has entered into agreements to deliver programs and services:

- The Federal Office of Critical Infrastructure Protection and Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Indian and Northern Affairs Canada to deliver the Alberta First Nations Emergency Planning Program.
- Emergency Services Workers Agreement allows for the partial recovery of Workers' Compensation Board (WCB) costs.

Costs under these agreements are incurred by the Ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $2,571 (2010 - $2,678) and accounts payable includes $1,985 (2010 -$2,458) relating to payments under agreement.

Amounts paid and payable under agreement are as follows:

	2011	2010
Joint Emergency Preparedness Program	$ 1,244	$ 1,243
First Nations Emergency Planning Program	570	483
Emergency Services Workers Agreement	-	41
	$ 1,814	$ 1,767

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE COLSOLIDATED FINANCIAL STATEMENTS

NOTE 12 BENEFIT PLANS

(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,197 for the year ended March 31, 2011 (2010 – $3,694).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 – deficiency $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency – $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 – deficiency $39,516).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $ 4,141 (2010 – deficiency $8,335) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,020 (2010 – surplus $7,431). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 13 COMPARITIVE FIGURES

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

NOTE 14 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2011
(in thousands)

Schedule 1

	2011		2010
	Budget	Actual	Actual (Restated - Note 3)
Internal Government Transfers			
Transfer from the Lottery Fund	$ 26,000	$ 26,000	$ 26,000
Transfers from the Government of Canada			
Disaster Assistance Programs	-	2,692	(12,521)
Other	650	479	631
	650	3,171	(11,890)
Premiums, Fees and Licences	361	546	237
Other Revenue			
Current Expenditure Refunds	2,234	3,225	2,126
Prior Year Expenditure Refunds	-	11,683	18,429
Miscellaneous	-	6	8
	2,234	14,914	20,563
Net Income (Loss) from Commercial Operations	75	384	(702)
	$ 29,320	$ 45,015	$ 34,208

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2011
(in thousands)

Schedule 2

	2011		2010
	Budget	Actual	Actual (Restated - Note 3)
Voted:			
Salaries, Wages and Employee Benefits	$ 43,265	$ 39,956	$ 39,479
Supplies and Services	20,913	31,637	23,974
Grants	963,758	1,098,614	539,603
Financial Transactions and Other	116	115	120
Amortization of Tangible Capital Assets	2,271	1,346	1,423
Total Voted Expenses	$ 1,030,323	$ 1,171,668	$ 604,599
Statutory:			
Valuation Adjustments			
Provision for Doubtful Accounts	$ -	$ 48	$ 7
Provision for Vacation Pay	200	(33)	(144)
	$ 200	$ 15	$ (137)

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Budget
Year ended March 31, 2011
(in thousands)

Schedule 3

	2010-2011				
	Estimates	Adjustments (a)	Budget	Authorized Supplementary (b)	Authorized Budget
Revenues					
Internal Government Transfers	$ 26,000	$ -	$ 26,000	$ -	$ 26,000
Transfers from the Government of Canada	650	-	650	-	650
Premiums, Fees and Licences	361	-	361	-	361
Other Revenue	2,234	-	2,234	-	2,234
Net Loss from Commercial Operations	75	-	75	-	75
	29,320	-	29,320	-	29,320
Expenses - Directly Incurred					
Voted Expenses					
Ministry Support Services	13,119	-	13,119	(328)	12,791
Municipal and Assessment Services	26,009	455	26,464	(311)	26,153
Municipal Sustainability Initiative	876,000	-	876,000	-	876,000
Regional Grant Programs	54,964	-	54,964	-	54,964
Public Safety	10,118	-	10,118	(146)	9,972
Alberta Emergency Management Agency	13,126	-	13,126	191,379	204,505
Municipal Government Board	4,103	-	4,103	400	4,503
Library Services	31,723	-	31,723	(20)	31,703
Francophone Secretariat	1,161	-	1,161	-	1,161
	1,030,323	455	1,030,778	190,974	1,221,752
Statutory Expenses					
Valuation Adjustments					
Provision for Vacation Pay	200	-	200	-	200
	1,030,523	455	1,030,978	190,974	1,221,952
Net Operating Results	$(1,001,203)	$ (455)	$(1,001,658)	$ (190,974)	$(1,192,632)
Equipment/Inventory Purchases (EIP)	$ 1,190	$ -	$ 1,190	$ -	$ 1,190

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment/Inventory Purchases and Capital Investment in the prior year exceed the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on March 14, 2011.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2011
(in thousands)

Schedule 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2011	2010
Revenues		
Lottery Fund	$ 26,000	$ 26,000
Fees and charges	150	88
	$ 26,150	$ 26,088
Expenses - Directly Incurred		
Grants	$ 459	$ -
Business and Technology Services	1,514	314
Insurance	84	94
Other Services	446	433
	$ 2,503	$ 841
Liabilities		
Payable to Lakeland College	$ 103	$ -

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2011
(in thousands)

Schedule 4
(continued)

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the consolidated financial statements but are disclosed in Schedule 5.

	Other Entities	
	2011	2010
Expenses - Incurred by Others (Schedule 5)		
Accommodation	$ 3,865	$ 4,014
Air Transportation	68	169
Business Services	1,895	1,383
Legal	796	723
	$ 6,624	$ 6,289

The Ministry paid $44,676 (2010 - $39,099) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2011
(in thousands)

Schedule 5

	2011							2010
		Expenses - Incurred by Others			Valuation Adjustments (5)			(Restated - Note 3)
Program	Expenses (1)	Accommodation Costs (2)	Business Services (3)	Legal Services (4)	Vacation Pay	Doubtful Accounts	Expenses	Expenses
Ministry Support Services	$ 11,589	$ 725	$ 1,963	$ 184	$ 66	$ -	$ 14,527	$ 14,059
Municipal and Assessment Services	21,973	1,570	-	338	(107)	48	23,822	24,883
Municipal Sustainability Initiative	876,000	-	-	-	-	-	876,000	400,000
Regional Grant Programs	58,039	-	-	-	-	-	58,039	83,715
Public Safety	9,908	706	-	87	(23)	-	10,678	14,698
Alberta Emergency Management Agency	155,818	548	-	166	52	-	156,584	34,542
Municipal Government Board	4,918	195	-	17	(34)	-	5,096	4,438
Library Services	32,246	84	-	4	6	-	32,340	33,265
Francophone Secretariat	1,177	37	-	-	7	-	1,221	1,151
	$1,171,668	$ 3,865	$ 1,963	$ 796	$ (33)	$ 48	$ 1,178,307	$ 610,751

(1) Expenses – Directly Incurred as per Consolidated Statement of Operations, excluding valuation adjustments.

(2) Cost shown for Accommodation on Schedule 4, allocated by number of employees.

(3) Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

(4) Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.

(5) Valuation Adjustments as per Consolidated Statement of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:
- Vacation Pay - allocated to the program by employee.
- Doubtful Accounts Provision - estimated allocation to program.

Department of Municipal Affairs

Financial Statements

March 31, 2011

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:

1 Revenues
2 Credit or Recovery
3 Expenses- Directly Incurred Detailed by Object
4 Budget
5 Comparison of Expenses- Directly Incurred, EIP and Capital Investment, Statutory Expenses, and Non-Budgetary Disbursements by Element to Authorized Budget
6 Salary and Benefits Disclosure
7 Related Party Transactions
8 Allocated Costs

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs which comprise the statement of financial position as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Municipal Affairs as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 6, 2011

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2011
(in thousands)

	2011		2010
	Budget (Schedule 4)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Internal Government Transfers	$ 26,000	$ 26,000	$ 26,000
Transfers from the Government of Canada	650	3,171	(11,890)
Premiums, Fees and Licences	361	546	237
Other Revenue	2,234	14,914	20,563
	29,245	44,631	34,910
Expenses - Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry Support Services	13,119	11,589	11,576
Municipal and Assessment Services	26,009	21,973	22,869
Municipal Sustainability Initiative	876,000	876,000	400,000
Regional Grant Programs	54,964	58,039	83,715
Public Safety	10,118	9,908	13,901
Alberta Emergency Management Agency	13,126	155,818	33,894
Municipal Government Board	4,103	4,918	4,299
Library Services	31,723	32,246	33,194
Francophone Secretariat	1,161	1,177	1,151
	1,030,323	1,171,668	604,599
Statutory (Schedules 3 and 5)			
Valuation Adjustments			
Provision for Doubtful Accounts	-	48	7
Provision for Vacation Pay	200	(33)	(144)
	200	15	(137)
	1,030,523	1,171,683	604,462
Net Operating Results	$ (1,001,278)	$ (1,127,052)	$ (569,552)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2011
(in thousands)

	2011	2010 (Restated - Note 3)
ASSETS		
Cash and Cash Equivalents	$ 3	$ 4
Accounts Receivable (Note 4)	97,940	108,997
Loans and Advances	8	9
Tangible Capital Assets (Note 6)	3,793	3,777
Deferred Charge	3	15
	$ 101,747	$ 112,802
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 192,523	$ 98,818
NET ASSETS		
Net Assets at Beginning of Year	13,984	40,755
Net Operating Results	(1,127,052)	(569,552)
Net Financing Provided from General Revenues	1,022,292	542,781
Net (Liabilities) Assets at End of Year	(90,776)	13,984
	$ 101,747	$ 112,802

Contractual obligations and contingent liabilities (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2011
(in thousands)

	2011 Actual	2010 Actual (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,127,052)	$ (569,552)
Non-cash items included in Net Operating Results:		
Amortization	1,346	1,423
Deferred Charge	12	33
Valuation Adjustments	15	(137)
	(1,125,679)	(568,233)
Changes in Working Capital		
Decrease in Loans and Advances	1	-
Decrease in Accounts Receivable	11,009	10,672
Increase in Accounts Payable and Accrued Liabilities	93,738	16,954
Cash Applied to Operating Transactions	(1,020,931)	(540,607)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,362)	(2,170)
Cash Applied to Capital Transactions	(1,362)	(2,170)
Financing Transactions		
Net Financing Provided from General Revenues	1,022,292	542,781
Cash Provided by Financing Transactions	1,022,292	542,781
(Decrease) Increase in Cash and Cash Equivalents	(1)	4
Cash and Cash Equivalents, Beginning of Year	4	-
Cash and Cash Equivalents, End of Year	$ 3	$ 4

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Department works in partnership with Alberta's municipalities, other provincial government departments, our federal partners, local authorities, various organizations focused on local issues, and the private sector to ensure Albertans live in safe and sustainable communities and are served by open, effective, accountable and well-managed local governments.

This is done by:

- Assisting municipalities in providing well-managed, collaborative, and accountable local government to Albertans.
- Administering a safety system that strives to ensure appropriate safety standards for the construction and maintenance of buildings and equipment.
- Managing the network of municipal and library system boards to provide province-wide access to high-quality public library services for Albertans.
- The Alberta Emergency Management Agency reports directly to the Minister and is responsible for co-coordinating a comprehensive, cross-government, all-hazards approach to managing emergencies in the province.
- The Municipal Government Board is an independent, quasi-judicial board that conducts hearings and renders decisions on such matters as property assessment, and provides recommendations to Cabinet on matters defined under the Municipal Government Act, such as contested annexations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The other entity reporting to the Minister is the Safety Codes Council, the activities of which are not included in these financial statements. The Department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 9 to these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Department's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The Department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Incurred by Others

Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at their fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Estimates relating to the determination of the Government of Canada accounts receivable $97,751 (2010-$108,699), the accrued liabilities for the Disaster Recovery Program $113,275 (2010-$37,966) and Tank Site Remediation Program $5,039 (2010-$5,749), as disclosed in these financial statements are subject to measurement uncertainty.

The Government of Canada accounts receivable is mainly related to Disaster Recovery Programs $93,880 (2010-$101,367) that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 PROGRAM TRANSFER

(in thousands)

The Francophone Secretariat was transferred to the Department of Municipal Affairs effective April 1, 2009. As a result of the transfer, comparatives for 2010 have been restated as if the Department had always been assigned with its current responsibilities.

Net assets on March 31, 2009 is made up as follows:

Net assets as previously reported	$ 36,776
Transfer from the Department of Employment and Immigration	3,979
Net assets at March 31, 2009	$ 40,755

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Government of Canada	$ 97,751	$ -	$ 97,751	$ 108,699
Other	331	(142)	189	298
	$ 98,082	$ (142)	$ 97,940	$ 108,997

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, loans and advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $93,880 (2010-$101,367), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the Department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the Department is unable to estimate the fair value.

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	2011			2010
	Equipment	Computer Hardware and Software	Total	Total
Estimated useful life	10 years	5 years		
Historical Cost				
Beginning of year	$ 2,318	$ 15,381	$ 17,699	$ 15,529
Additions	348	1,014	1,362	2,170
Disposals, including write-downs	-	(806)	(806)	-
	$ 2,666	$ 15,589	$ 18,255	$ 17,699
Accumulated Amortization				
Beginning of year	$ 1,306	$ 12,616	$ 13,922	$ 12,499
Amortization expense	218	1,128	1,346	1,423
Effect of disposals	-	(806)	(806)	-
	$ 1,524	$ 12,938	$ 14,462	$ 13,922
Net book value at March 31, 2011	$ 1,142	$ 2,651	$ 3,793	
Net book value at March 31, 2010	$ 1,012	$ 2,765		$ 3,777

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Operating Expense		
Service Contracts	$ 13,998	$ 30,640
Agreements [1]	9,124,000	10,003,894
Long-Term Leases	563	646
	$ 9,138,561	$ 10,035,180

[1] Agreements of $9,124,000 relates to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Department of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Long-Term Leases	Total
2011-12	$ 9,157	$ 886,000	$ 112	$ 895,269
2012-13	4,543	896,000	112	900,655
2013-14	174	1,050,000	112	1,050,286
2014-15	124	1,400,000	112	1,400,236
2015-16	-	1,400,000	98	1,400,098
Thereafter	-	3,492,000	17	3,492,017
	$ 13,998	$ 9,124,000	$ 563	$ 9,138,561

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

At March 31, 2011 the Department is a defendant in six legal claims (2010 – seven legal claims). Four of these claims have specified amounts totaling $51,356 and the remaining two have no specified amount (2010 – three claims with a specified amount of $51,266 and four with no specified amount). Included in the total legal claims are two claims amounting to $50,000 (2010 – three claims amounting to $50,166) in which the Department has been jointly named with other entities. One claim amounting to $160 (2010 – no claims) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2010 and December 31, 2009 are as follows:

	2010	2009 (Restated)
Special Areas Trust Account	$ 218,966	$ 207,122
Improvement Districts' Trust Account	8,927	7,401
	$ 227,893	$ 214,523

NOTE 10 PAYMENTS UNDER AGREEMENT

(in thousands)

The Department has entered into agreements to deliver programs and services:

- The Federal Office of Critical Infrastructure Protection and Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Indian and Northern Affairs Canada to deliver the Alberta First Nations Emergency Planning Program.
- Emergency Services Workers Agreement allows for the partial recovery of Workers' Compensation Board (WCB) costs.

Costs under these agreements are incurred by the Department under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $2,571 (2010 - $2,678) and accounts payable includes $1,985 (2010 -$2,458) relating to payments under agreement.

Amounts paid and payable under agreement are as follows:

	2011	2010
Joint Emergency Preparedness Program	$ 1,244	$ 1,243
First Nations Emergency Planning Program	570	483
Emergency Services Workers Agreement	-	41
	$ 1,814	$ 1,767

NOTE 11 BENEFIT PLANS

(in thousands)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,197 for the year ended March 31, 2011 (2010 – $3,694).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 – deficiency $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency – $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 – deficiency $39,516).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $ 4,141 (2010 – deficiency $8,335) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,020 (2010 – surplus $7,431). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 12 COMPARITIVE FIGURES

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2011
(in thousands)

Schedule 1

	2011		2010
	Budget	Actual	Actual (Restated - Note 3)
Internal Government Transfers			
Transfer from the Lottery Fund	$ 26,000	$ 26,000	$ 26,000
Transfers from the Government of Canada			
Disaster Assistance Programs	-	2,692	(12,521)
Other	650	479	631
	650	3,171	(11,890)
Premiums, Fees and Licences	361	546	237
Other Revenue			
Current Expenditure Refunds	2,234	3,225	2,126
Prior Year Expenditure Refunds	-	11,683	18,429
Miscellaneous	-	6	8
	2,234	14,914	20,563
	$ 29,245	$ 44,631	$ 34,910

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31, 2011
(in thousands)

Schedule 2

	2011		
	Authorized	Actual	(Shortfall)/ Excess
Linear Assessment Services [1]	$ 2,053	$ 2,053	$ -
Francophone Secretariat [2]	650	650	-
	$ 2,703	$ 2,703	$ -

[1] The Department prepares linear property and major plant assessments for various municipalities on a cost recovery basis. The recovery revenues are reported as part of other revenues on the Statement of Operations.

[2] The Government of Canada provided funding to the Francophone Secretariat under the Canada-Alberta Cooperation Agreement to promote the official languages.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2011
(in thousands)

Schedule 3

	2011		2010
	Budget	Actual	Actual (Restated - Note 3)
Voted:			
Salaries, Wages and Employee Benefits	$ 43,265	$ 39,956	$ 39,479
Supplies and Services	20,913	31,637	23,974
Grants	963,758	1,098,614	539,603
Financial Transactions and Other	116	115	120
Amortization of Tangible Capital Assets	2,271	1,346	1,423
Total Voted Expenses	$ 1,030,323	$ 1,171,668	$ 604,599
Statutory:			
Valuation Adjustments			
Provision for Doubtful Accounts	$ -	$ 48	$ 7
Provision for (Decrease in) Vacation Pay	200	(33)	(144)
	$ 200	$ 15	$ (137)

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2011
(in thousands)

Schedule 4

	2010-2011				
	Estimates	Adjustments (a)	Budget	Authorized Supplementary (b)	Authorized Budget
Revenues					
Internal Government Transfers	$ 26,000	$ -	$ 26,000	$ -	$ 26,000
Transfers from the Government of Canada	650	-	650	-	650
Premiums, Fees and Licences	361	-	361	-	361
Other Revenue	2,234	-	2,234	-	2,234
	29,245	-	29,245	-	29,245
Expenses - Directly Incurred					
Voted Expenses					
Ministry Support Services	13,119	-	13,119	(328)	12,791
Municipal and Assessment Services	26,009	455	26,464	(311)	26,153
Municipal Sustainability Initiative	876,000	-	876,000	-	876,000
Regional Grant Programs	54,964	-	54,964	-	54,964
Public Safety	10,118	-	10,118	(146)	9,972
Alberta Emergency Management Agency	13,126	-	13,126	191,379	204,505
Municipal Government Board	4,103	-	4,103	400	4,503
Library Services	31,723	-	31,723	(20)	31,703
Francophone Secretariat	1,161	-	1,161	-	1,161
	1,030,323	455	1,030,778	190,974	1,221,752
Statutory Expenses					
Valuation Adjustments					
Provision for Vacation Pay	200	-	200	-	200
	1,030,523	455	1,030,978	190,974	1,221,952
Net Operating Results	$(1,001,278)	$ (455)	$(1,001,733)	$ (190,974)	$(1,192,707)
Equipment Inventory Purchases (EIP)	$ 1,190	$ -	$ 1,190	$ -	$ 1,190

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment Inventory Purchases and Capital Investment in the prior year exceed the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on March 14, 2011.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 5

Comparison of Expenses - Directly Incurred, Equipment Inventory Purchases (EIP) and Capital Investment, Statutory Expenses, and Non-Budgetary Disbursements by Element to Authorized Budget

Year ended March 31, 2011

(in thousands)

	2010-2011						
	Estimates	Adjustments (a)	Budget	Authorized Supplementary (b)	Authorized Budget	Actual Expense	Unexpended (Over Expended)
Voted Expenses, EIP and Capital Investments							
1 Ministry Support Services							
1.0.1 Minister's Office	$ 462	$ -	$ 462	$ -	$ 462	$ 508	$ (46)
1.0.2 Deputy Minister's Office	743	-	743	-	743	668	75
1.0.3 Support Services							
- Expense	11,914	-	11,914	(328)	11,586	10,413	1,173
- EIP	100	-	100	-	100	72	28
Total Program 1	13,219	-	13,219	(328)	12,891	11,661	1,230
2 Municipal and Assessment Services							
2.0.1 Division Support	2,267	455	2,722	(53)	2,669	2,650	19
2.0.2 Municipal Services							
- Expense	13,268	-	13,268	(148)	13,120	10,612	2,508
- EIP	568	-	568	-	568	540	28
2.0.3 Assessment Services							
- Expense	10,474	-	10,474	(110)	10,364	8,711	1,653
- EIP	522	-	522	-	522	402	120
Total Program 2	27,099	455	27,554	(311)	27,243	22,915	4,328
3 Municipal Sustainability Initative							
3.0.1 Municipal Sustainability Capital Grants	826,000	-	826,000	-	826,000	828,861	(2,861)
3.0.2 Municipal Sustainability Operating Grants							
- Expense	24,000	-	24,000	-	24,000	21,139	2,861
- Expense Funded by Lotteries	26,000	-	26,000	-	26,000	26,000	-
Total Program 3	876,000	-	876,000	-	876,000	876,000	-
4 Regional Grant Programs							
4.0.1 Grants in Place of Taxes	43,425	-	43,425	-	43,425	45,197	(1,772)
4.0.2 Financial Support to Local Authorities	8,539	-	8,539	-	8,539	9,842	(1,303)
4.0.3 Capital Region Board	3,000	-	3,000	-	3,000	3,000	-
Total Program 4	54,964	-	54,964	-	54,964	58,039	(3,075)
5 Public Safety							
5.1 Division Support							
5.1.1 Division Support	1,279	-	1,279	(22)	1,257	1,312	(55)
5.2 Safety Services							
5.2.1 Program Management	359	-	359	(9)	350	322	28
5.2.2 Technical Services	2,048	-	2,048	(35)	2,013	2,086	(73)
5.2.3 Regional Services	4,031	-	4,031	(68)	3,963	3,873	90
5.2.4 Tank Site Remediation Program	2,401	-	2,401	(12)	2,389	2,315	74
Total Program 5	10,118	-	10,118	(146)	9,972	9,908	64

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 5

Comparison of Expenses - Directly Incurred, Equipment/Inventory Purchases (EIP) and Capital Investment, Statutory Expenses, and Non-Budgetary Disbursements by Element to Authorized Budget
Year ended March 31, 2011
(in thousands)

	2010-2011						
	Estimates	Adjustments (a)	Budget	Authorized Supplementary (b)	Authorized Budget	Actual Expense	Unexpended (Over Expended)
Voted Expenses, EIP and Capital Investments							
6 Alberta Emergency Management Agency							
6.0.1 Managing Director's Office	857	-	857	(43)	814	886	(72)
6.0.2 Operational Programs	4,544	-	4,544	(43)	4,501	4,607	(106)
6.0.3 Operations							
- Expense	6,725	-	6,725	(109)	6,616	5,205	1,411
- EIP	-	-	-	-	-	348	(348)
6.0.4 Disaster Recovery	200	-	200	191,574	191,774	144,320	47,454
6.0.5 Emergency Preparedness Grants	800	-	800	-	800	800	-
Total Program 6	13,126	-	13,126	191,379	204,505	156,166	48,339
7 Municipal Government Board							
7.0.1 Municipal Government Board	4,103	-	4,103	400	4,503	4,918	(415)
Total Program 7	4,103	-	4,103	400	4,503	4,918	(415)
8 Library Services							
8.0.1 Library Services	1,604	-	1,604	(20)	1,584	1,883	(299)
8.0.2 Library Grants	30,119	-	30,119	-	30,119	30,363	(244)
Total Program 8	31,723	-	31,723	(20)	31,703	32,246	(543)
9 Francophone Secretariat							
9.0.1 Francophone Secretariat	1,161	-	1,161	-	1,161	1,177	(16)
Total Program 9	1,161	-	1,161	-	1,161	1,177	(16)
Grand Total	$ 1,031,513	$ 455	$ 1,031,968	$ 190,974	$ 1,222,942	$ 1,173,030	$ 49,912
Operating Expense	$ 1,004,323	$ 455	$ 1,004,778	$ 190,974	$ 1,195,752	$ 1,145,668	$ 50,084
Operating Expense Funded by Lotteries	26,000	-	26,000	-	26,000	26,000	-
	1,030,323	455	1,030,778	190,974	1,221,752	1,171,668	50,084
Equipment/Inventory Purchases	1,190	-	1,190	-	1,190	1,362	(172)
	$ 1,031,513	$ 455	$ 1,031,968	$ 190,974	$ 1,222,942	$ 1,173,030	$ 49,912
Statutory Expenses							
Valuation Adjustments	$ 200	$ -	$ 200	$ -	$ 200	$ 15	$ 185

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment/Inventory Purchases and Capital Investment in the prior year exceed the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on March 14, 2011.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2011

Schedule 6

	2011				2010
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Department					
Deputy Minister[4]	$ 264,576	$ 1,750	$ 64,539	$ 330,865	$ 327,180
Assistant Deputy Ministers					
Local Government Services	177,192	1,750	43,938	222,880	219,750
Public Safety	182,676	1,750	44,459	228,885	226,024
Corporate Strategic Services	168,888	1,750	41,456	212,094	209,803
Alberta Emergency Management Agency					
Managing Director[4][5]	193,219	27,142	47,162	267,523	248,829

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2011.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits. For the Managing Director position, only the first incumbent held an automobile.

(5) The position was occupied by three individuals through the year. The first incumbent held the position until September 10, 2010. The second incumbent held the position between September 13, 2010 and November 19, 2010 in an acting capacity. The third incumbent has held the position since November 22, 2010.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2011
(in thousands)

Schedule 7

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Revenues				
Lottery Fund	$ -	$ -	$ 26,000	$ 26,000
Fees and charges	-	-	150	88
	$ -	$ -	$ 26,150	$ 26,088
Expenses - Directly Incurred				
Grants	$ -	$ 750	$ 459	$ -
Business and Technology Services	-	-	1,514	314
Insurance	-	-	84	94
Other Services	-	-	446	433
	$ -	$ 750	$ 2,503	$ 841
Liabilities				
Payable to Safety Codes Council	$ -	$ 750	$ -	$ -
Payable to Lakeland College	-	-	103	-
	$ -	$ 750	$ 103	$ -

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2011
(in thousands)

Schedule 7
(continued)

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Expenses - Incurred by Others (Schedule 8)				
Accommodation	$ -	$ -	$ 3,865	$ 4,014
Air Transportation	-	-	68	169
Business Services	-	-	1,895	1,383
Legal	-	-	796	723
	$ -	$ -	$ 6,624	$ 6,289

The Department paid $44,676 (2010 - $39,099) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2011
(in thousands)

Schedule 8

Program	2011 Expenses (1)	Expenses - Incurred by Others: Accommodation Costs (2)	Expenses - Incurred by Others: Business Services (3)	Expenses - Incurred by Others: Legal Services (4)	Valuation Adjustments (5): Vacation Pay	Valuation Adjustments (5): Doubtful Accounts	2011 Expenses	2010 (Restated - Note 3) Expenses
Ministry Support Services	$ 11,589	$ 725	$ 1,963	$ 184	$ 66	$ -	$ 14,527	$ 14,059
Municipal and Assessment Services	21,973	1,570	-	338	(107)	48	23,822	24,883
Municipal Sustainability Initiative	876,000	-	-	-	-	-	876,000	400,000
Regional Grant Programs	58,039	-	-	-	-	-	58,039	83,715
Public Safety	9,908	706	-	87	(23)	-	10,678	14,698
Alberta Emergency Management Agency	155,818	548	-	166	52	-	156,584	34,542
Municipal Government Board	4,918	195	-	17	(34)	-	5,096	4,438
Library Services	32,246	84	-	4	6	-	32,340	33,265
Francophone Secretariat	1,177	37	-	-	7	-	1,221	1,151
	$1,171,668	$ 3,865	$ 1,963	$ 796	$ (33)	$ 48	$ 1,178,307	$ 610,751

(1) Expenses – Directly Incurred as per Statement of Operations, excluding valuation adjustments.

(2) Cost shown for Accommodation on Schedule 7, allocated by number of employees.

(3) Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

(4) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(5) Valuation Adjustments as per Statement of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:
- Vacation Pay - allocated to the program by employee.
- Doubtful Accounts Provision - estimated allocation to program.

Financial Statements of

SAFETY CODES COUNCIL

Year ended December 31, 2010

Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Independent Auditor's Report

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To the Members of Safety Codes Council

Report on the Financial Statements

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

Operating fees received from Municipalities and Agencies are collected on behalf of the Council, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of operating fees revenue from Municipalities and Agencies was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to operating fees revenue, excess of revenues over expenditures, accounts receivable and unrestricted net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

March 25, 2011
Edmonton, Canada

SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	$ 752,827	$ 226,447
Accounts receivable	440,700	386,646
Prepaid expenses and deposits	123,228	93,876
	1,316,755	706,969
Investments (note 2)	3,936,271	3,507,985
Capital assets (note 3)	783,577	829,235
	$ 6,036,603	$ 5,044,189
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 228,125	$ 198,543
Deferred lease inducement	45,980	52,471
Deferred revenue (note 4)	826,867	124,828
Grants repayable (note 4)	-	116,467
	1,100,972	492,309
Net assets:		
Unrestricted	1,152,054	722,645
Internally restricted (note 5)	3,000,000	3,000,000
Invested in capital assets	783,577	829,235
	4,935,631	4,551,880
Commitments (note 7)		
	$ 6,036,603	$ 5,044,189

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenues:		
Operating fees:		
Municipalities and agencies	$ 3,889,946	$ 3,140,970
Corporations	416,640	378,000
Course and exam fees (note 4)	405,235	494,032
Application development	259,398	21,000
Grants (note 4)	168,828	62,710
Investment income (note 6)	118,708	306,786
Certification (note 4)	48,623	40,553
Annual conference	25,227	27,871
Designation of powers	19,175	15,525
Other revenues and recoveries	14,871	18,455
Appeals	7,800	2,700
Accreditation	2,350	4,200
	5,376,801	4,512,802
Expenditures:		
Salaries and benefits (note 8)	2,308,103	1,936,024
Contractors and consultants	824,339	1,484,480
Office rental	357,215	345,746
Annual conference	182,616	178,567
Amortization of capital assets	175,630	176,944
Course and seminar costs	136,806	166,355
Office and general	130,509	124,791
New course version	122,979	91,972
Travel (note 8)	107,071	119,041
Electronic business solutions	92,015	96,693
Publications	71,452	115,350
Appeals	66,780	22,161
Professional fees	65,505	60,730
New course development	63,708	41,052
Consulting fees	50,449	15,356
Meetings	47,457	47,470
Insurance	38,993	39,258
Code update training	30,804	35,702
Bank and investment service charges	26,772	29,955
Test bank validations	25,347	27,338
Loss on disposal of capital assets	21,948	10,928
Honorariums (note 8)	21,278	6,757
Special training programs	10,800	28,770
Electronic conversion	9,986	9,450
Corporate memberships	3,025	3,409
Office relocation	1,101	12
Course revisions	362	-
	4,993,050	5,214,311
Excess (deficiency) of revenues over expenditures	$ 383,751	$ (701,509)

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Unrestricted	Internally restricted	Invested in capital assets	2010 Total	2009 Total
Balance, beginning of year	$ 722,645	$ 3,000,000	$ 829,235	$ 4,551,880	$ 5,253,389
Excess (deficiency) of revenues over expenditures	581,329	-	(197,578)	383,751	(701,509)
Investment in capital assets, net	(151,920)	-	151,920	-	-
Balance, end of year	$ 1,152,054	$ 3,000,000	$ 783,577	$ 4,935,631	$ 4,551,880

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenditures	$ 383,751	$ (701,509)
Items not involving cash:		
Realized loss (gain) on disposal of investments	10,346	(33,584)
Unrealized change in fair value of investments	(39,682)	(172,643)
Amortization of capital assets	175,630	176,944
Loss on disposal of capital assets	21,948	10,928
Changes in non-cash operating working capital:		
Accounts receivable	(54,054)	(94,852)
Prepaid expenses and deposits	(29,352)	12,632
Accounts payable and accrued liabilities	29,582	(82,619)
Deferred lease inducement	(6,491)	(6,491)
Deferred contributions	702,039	(158,502)
Grants repayable	(116,467)	116,467
	1,077,250	(933,229)
Investing and financing activities:		
Reinvested net investment income from investments	(88,950)	(99,092)
Purchase of investments	(558,000)	-
Proceeds from disposition of investments	248,000	947,000
Purchase of capital assets	(151,920)	(36,230)
	(550,870)	811,678
Increase (decrease) in cash	526,380	(121,551)
Cash, beginning of year	226,447	347,998
Cash, end of year	$ 752,827	$ 226,447
Supplemental cash flow information:		
Bank and investment service charges paid	$ 26,772	$ 29,955

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2010

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based council is comprised of a Council Chair, a Coordinating Committee (Board of Directors), a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

1. Significant accounting policies:

(a) Financial instruments and risk management:

The Council's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. Cash and investments are classified as held-for-trading and are measured at fair value. Accounts receivable and accounts payable and accrued liabilities are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The Council does not have any derivatives that need to be recorded at fair value in its financial statements nor any embedded derivatives in its contractual arrangements that must be separated from the host contract and accounted for separately.

1. Significant accounting policies (continued):

(a) Financial instruments and risk management (continued):

Given the significance of the Council's investments, it has exposure to market risks from changes in interest rates and market prices. The Council limits its exposure to interest rate risk by investing in notes and bonds of financially sound counter-parties with a weighted average credit quality rating of AA or higher. The Council does not use derivative instruments to alter the effects of interest or market price changes which affect its investments.

(b) Capital management:

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern, so that it can continue to provide service to stakeholders, including its members and to continue to promote and assist in the development of safety codes in Alberta.

The Council sets the sufficiency of capital to maintain the service needs of the stakeholders and makes adjustments to its capital, through appropriation to or from internally restricted funds to respond to changes in economic conditions. In order to maintain a sufficient capital structure, management looks forward to future needs and will recommend increased fees or adjustment of the investment portfolio mix.

(c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Internally developed intangible properties are capitalized when they meet the definition of an intangible asset.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(d) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a new lease arrangement in 2008 for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

(e) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues including operating fees from municipalities and agencies, corporations, courses and exams, certification, designation of powers, appeals and accredition are recorded as they are earned. Other revenues that relate to future years are reflected as deferred revenue.

Investment income includes interest income and realized and unrealized investment gains and losses.

Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

(f) Contributed services:

Alberta Municipal Affairs currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost. As a result of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

2. Investments:

	2010	2009
Cash and cash equivalents	$ 4,300	$ 74,928
Federal and provincial government bonds, coupons and residuals, with stated interest rates up to 1.25% (2009 - 4.00% to 10.00%) and maturity dates up to 2012	1,424,901	1,730,600
Corporate bonds, debentures, and coupons, with stated interest rates of 4.03% to 6.17% (2009 - 4.25% to 6.80%) with maturity dates up to 2023	1,822,385	1,362,563
Corporate cumulative and non-cumulative preferred shares, with stated interest rates from 4.50% to 5.35% (2009 - 4.50% to 5.35%)	271,366	263,878
Canadian common shares	413,319	76,016
	$ 3,936,271	$ 3,507,985

3. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and fixtures	$ 216,782	$ 129,280	$ 87,502	$ 100,060
Equipment	43,063	22,693	20,370	20,719
Computer hardware	318,971	192,784	126,187	109,577
Computer software	199,034	98,521	100,513	88,951
Leasehold improvements	609,232	160,227	449,005	509,928
	$ 1,387,082	$ 603,505	$ 783,577	$ 829,235

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2010

4. Deferred revenue:

2010	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized	Amounts repaid / repayable	Deferred revenue, end of year
Grants					
Information technology	$ -	$ 116,831	$ (51,631)	$ -	$ 65,200
Objective based industrial electrical code	-	100,376	(48,852)	-	51,524
e-Site enhancement	-	200,794	(32,824)	-	167,970
Building envelope training	-	160,733	(20,233)	-	140,500
Risk based inspection regime	-	291,341	(15,288)	-	276,053
	-	870,075	(168,828)	-	701,247
Other amounts					
Operating fees	5,927	4,303,494	(4,306,586)	-	2,835
Course and exam fees	25,222	398,891	(405,235)	-	18,878
Certification	93,679	58,851	(48,623)	-	103,907
	$ 124,828	$ 5,631,311	$ (4,929,272)	$ -	$ 826,867

2009	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized	Amounts repaid / repayable	Deferred revenue, end of year
Grants					
Information technology	$ 179,177	$ -	$ (62,710)	$ (116,467)	$ -
Other amounts					
Operating fees	-	3,524,897	(3,518,970)	-	5,927
Course and exam fees	21,495	497,759	(494,032)	-	25,222
Certification	82,658	51,574	(40,553)	-	93,679
	$ 283,330	$ 4,074,230	$ (4,116,265)	$ (116,467)	$ 124,828

4. Deferred revenue (continued):

Information Technology

On July 18, 2008, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The grant specified four deliverables to establish 1) An IT system in e-Site for Development Permits, 2) An IT system in e-Site for Orders and Variances external data entry, 3) An IT system in e-Site for Underground Petroleum Tank site Remediation (PTRP) and 4) Establish an IT system in e-Site for Municipal Monitoring. The IT in Support of the Safety System project has a total proposed budget of $182,400 to be funded by the Province of Alberta. The grant agreement initially expired on April 30, 2009 and unexpended funds in the amount of $116,467 were reflected as grants repayable at the end of the prior year. On April 27, 2010, the Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2011. To December 31, 2010, total eligible expenditures incurred under the amended agreement were $114,341 (2009 - $62,710).

Objective Based Industrial Electrical Code (OBIEC)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an analysis of the Objective Based Industrial Electrical Code. The OBIEC project has a total proposed budget of $105,000, to be funded with $100,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement expires on February 28, 2011. To December 31, 2010, total eligible expenditures incurred under the agreement were $48,852.

e-Site Enhancement

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The e-Site Enhancement project has a total proposed budget of $210,000, to be funded with $200,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement expires on December 31, 2011. To December 31, 2010, total eligible expenditures incurred under the agreement were $32,824.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2010

4. Deferred revenue (continued):

Building Envelope Training (BET)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake the development of a building envelope training program for safety codes officers. The BET project has a total proposed budget of $160,000 to be funded by the Province of Alberta. The grant agreement expires on December 31, 2011. To December 31, 2010, total eligible expenditures incurred under the agreement were $20,233.

Risk Based Inspection Regime (RBIR)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an assessment of utilizing a risk-based inspection regime. The RBIR project has a total proposed budget of $300,000, to be funded with $290,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement expires on December 31, 2011. To December 31, 2010, total eligible expenditures incurred under the agreement were $15,288.

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of $3,000,000 to minimize the impact of short-term fluctuations in operating fee revenues on its ability to meet its mandate. Access to the restricted net assets is granted by resolution of the Coordinating Committee.

6. Investment income:

Investment income is comprised of the following:

	2010	2009
Interest and dividends	$ 89,372	$ 100,559
Realized (losses) gain on disposal of investments	(10,346)	33,584
Unrealized change in fair value of investments	39,682	172,643
	$ 118,708	$ 306,786

7. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases photocopiers and a postage machine with related service contracts, expiring March 31, 2011 and August 2015.

2011	$ 199,875
2012	195,026
2013	200,637
2014	200,637
2015	199,570

The Council is also responsible for their share of operating costs related to the office premises lease.

8. Remuneration and other costs disclosure:

Board Members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of $9,600 included in salaries and benefits expense and $21,278 included in honorariums expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2010 Remuneration	2010 Other
Board members	$ 30,878	$ 12,115

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

Improvement Districts' Trust Account
Summary Statement of Revenue and Expenditures
For the year ended December 31, 2010
(Unaudited)

	Improvement Districts						
	4	9	12	13	24	Kananaskis [a]	Total
Assets	$ 1,178,557	$ 7,073,550	$ 449,429	$ 464,879	$ 92,455	$ 3,998,289	$ 13,257,159
Liabilities	284,788	2,255,029	107,144	287,626	82,221	1,312,938	4,329,746
Net assets	$ 893,769	$ 4,818,521	$ 342,285	$ 177,253	$ 10,234	$ 2,685,351	$ 8,927,413
Revenues	$ 584,812	$ 1,726,318	$ 538,418	$ 40,998	$ 248,418	$ 3,252,700	$ 6,391,664
Expenditures	353,668	963,702	499,614	17,228	249,716	2,781,552	4,865,480
Excess / (Deficiency) of revenue over expenditure	$ 231,144	$ 762,616	$ 38,804	$ 23,770	$ (1,298)	$ 471,148	$ 1,526,184

Improvement District:

4 Waterton National Park
9 Banff National Park
12 Jasper National Park
13 Elk Island National Park
24 Wood Buffalo National Park

[a] Ministerial Order No. L:131/08 delegated the administration of the Kananaskis Improvement District to the Minister of Tourism, Parks and Recreation.

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2010
(Unaudited)

	Improvement Districts						
	4	9	12	13	24	Kananaskis	Total
REVENUES							
General Municipal:							
Taxation							
Real property	$ 372,120	$ 2,505,641	$ 34,071	$ 4,972	$ 4,699	$ 1,073,989	$ 3,995,492
Federal grants	103,073	671,798	57,678	35,262	12,169	13,271	893,251
Provincial grants	-	-	-	-	-	115,309	115,309
Power and pipeline	3,294	69,435	119,986	8,272	4,526	409,073	614,586
Penalties and costs	8,521	16,100	17	-	38	3,907	28,583
	487,008	3,262,974	211,752	48,506	21,432	1,615,549	5,647,221
Less payment of requisitions to:							
Alberta School Foundation Fund	284,787	1,613,111	117,043	17,143	8,903	609,258	2,650,245
Seniors Foundation	-	70,017	15,120	-	-	23,607	108,744
	284,787	1,683,128	132,163	17,143	8,903	632,865	2,758,989
General municipal taxes	202,221	1,579,846	79,589	31,363	12,529	982,684	2,888,232
Government transfers	373,186	-	455,514	8,157	235,841	1,719,939	2,792,637
Interest	583	31,328	3,310	1,478	48	14,753	51,500
Utility Services	-	-	-	-	-	418,120	418,120
Other	8,822	115,144	5	-	-	117,204	241,175
	$ 584,812	$ 1,726,318	$ 538,418	$ 40,998	$ 248,418	$ 3,252,700	$ 6,391,664
EXPENDITURES							
General Municipal:							
Administrative services	$ 38,402	$ 171,945	$ 23,842	$ 1,691	$ 1,758	$ 153,456	$ 391,094
Protective services	-	411,068	19,572	-	-	2,050,134	2,480,774
Transportation services	-	-	-	-	-	94,753	94,753
Assessment fees	7,216	28,775	10,248	7,380	12,027	-	65,646
Grants	-	-	445,952	8,157	235,931	-	690,040
Recreation and cultural services	130,675	252,342	-	-	-	-	383,017
Utilities	-	15,198	-	-	-	6,855	22,053
Honorarium	10,200	27,350	-	-	-	10,155	47,705
Garbage collection and disposal	-	-	-	-	-	305,553	305,553
Amortization	108,355	55,261	-	-	-	125,025	288,641
Other expenditures	58,820	1,763	-	-	-	35,621	96,204
	$ 353,668	$ 963,702	$ 499,614	$ 17,228	$ 249,716	$ 2,781,552	$ 4,865,480
Excess / (Deficiency) of revenue over expenditure	$ 231,144	$ 762,616	$ 38,804	$ 23,770	$ (1,298)	$ 471,148	$ 1,526,184

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2010

Auditor's Report

Statements of Financial Position

Statements of Operations

Statements of Changes of Net Financial Assets

Statements of Cash Flows

Notes to the Financial Statements

Schedule of Investments

Schedule of Salaries and Benefits

Supplementary Net Financial Asset Information Schedule

Supplementary Unrestricted Accumulated Surplus Information Schedule

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

April 5, 2011

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	2010	2009
Financial Assets		
Current:		
Cash (Note 3)	$ 26,110,677	$ 29,019,032
Accounts receivable (Note 4)	4,910,620	4,461,465
Notes receivable (Note 5)	1,827,191	1,359,323
Due from Province of Alberta (Note 6)	2,087,298	1,054,464
Taxes receivable (Note 7)	1,279,187	569,480
	36,214,973	36,463,764
Non-current:		
Notes receivable (Note 5)	17,201,484	14,424,862
Investments (Schedule 1)	25,658,520	26,627,403
Total Financial Assets	79,074,977	77,516,029
Liabilities		
Current:		
Accounts payable and accruals	2,086,934	2,270,097
Deferred revenues	365,653	536,181
Deferred provincial grant revenue (Note 8)	341,251	1,454,941
Due to Province of Alberta (Note 6)	381,998	845,641
Current portion of long term debt (Note 9)	1,925,369	1,732,020
	5,101,205	6,838,880
Non-current:		
Long term debt (Note 9)	17,227,706	15,393,775
Provision for gravel pit reclamation (Note 10)	1,900,000	1,740,000
Total Liabilities	24,228,911	23,972,655
Net Financial Assets (Schedule 3)	54,846,066	53,543,374
Non-financial Assets		
Capital assets (Schedule 4)	158,750,405	148,423,833
Inventories (Schedule 4)	5,369,864	5,155,042
Non-financial Assets (Note 11)	164,120,269	153,578,875
Accumulated Surplus (Note 12)	$ 218,966,335	$ 207,122,249

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 BUDGET (Note 13)	2010 ACTUAL	2009 ACTUAL
Revenue			
Taxation			
Power and pipeline	$ 31,985,000	$ 29,937,368	$ 31,015,478
Real property	8,477,200	8,734,009	8,219,121
Grazing and cultivation	742,700	686,403	720,449
Penalties and costs on taxes	75,000	262,786	109,366
	41,279,900	39,620,566	40,064,414
Less amounts expended by transfers:			
Alberta School Foundation Fund	13,642,000	13,284,609	13,642,219
Seniors Foundation requisitions	3,393,000	3,287,141	3,354,667
	17,035,000	16,571,750	16,996,886
Net taxes for municipal purposes	24,244,900	23,048,816	23,067,528
Provincial grants (Note 14)	9,381,080	9,572,594	8,032,259
Leases (Note 15)	7,061,095	8,960,785	7,135,104
Interest	2,061,000	2,073,653	2,102,549
Federal grants	1,742,434	1,244,354	667,009
Tax recovery land sales	1,100,000	686,781	798,551
Other	2,026,700	1,449,218	2,027,172
Total revenue	**$ 47,617,209**	**$ 47,036,201**	**$ 43,830,172**
Expense			
Transportation services	23,292,759	15,393,576	15,693,981
Administrative services	4,639,280	4,920,644	4,058,219
Recreational and cultural services	2,486,151	4,108,802	2,325,254
Water and sanitation services	2,906,354	2,207,056	2,171,060
Agriculture and community development	2,241,069	2,065,970	2,040,856
Protective services	679,410	1,184,065	582,583
Industrial tax transfers	225,000	229,742	240,071
Loss on sale of capital assets	-	119,849	109,802
Amortization	-	4,962,411	4,635,409
Total expense (Note 16)	**36,470,023**	**35,192,115**	**31,857,235**
Surplus for the year	**$ 11,147,186**	**$ 11,844,086**	**$ 11,972,937**
Accumulated surplus at beginning of year	207,122,249	207,122,249	195,149,312
Accumulated surplus at end of year	**$ 218,269,435**	**$ 218,966,335**	**$ 207,122,249**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2010

	2010		2009
	BUDGET (Note 13)	ACTUAL	ACTUAL
Increase in surplus during the year	11,147,186	11,844,086	11,972,937
Acquisition of tangible capital assets	(11,759,523)	(15,512,715)	(14,184,251)
Loss on sale of tangible capital assets	-	119,849	109,802
Net transfers to capital	(280,000)	-	-
Proceeds on disposal of tangible capital assets	127,000	103,883	199,449
Amortization of tangible capital assets	-	4,962,411	4,635,409
Change in inventory	-	(214,822)	280,761
	(765,337)	1,302,692	3,014,107
Net financial assets, beginning of year	53,543,374	53,543,374	50,529,267
Net financial assets, end of year	52,778,037	54,846,066	53,543,374

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
Operating activities:		
Surplus for the year	$ 11,844,086	$ 11,972,937
Amortization of investment premiums, less discounts	141,057	122,088
Gain on sale of investments	(106,929)	(218,591)
Amortization of capital assets	4,962,411	4,635,409
Amortization relating to self-constructed assets	(1,012,019)	(974,619)
Loss on sale of capital assets	119,849	109,802
Increase in provision for gravel pit reclamation	160,000	100,000
	16,108,455	15,747,026
Changes in non-cash operating items:		
Accounts receivable	(449,155)	2,239,209
Notes receivable	(467,868)	(1,319,323)
Due from Province of Alberta	(1,032,834)	(29,169)
Taxes receivable, net	(709,707)	(288,274)
Accounts payable and accruals	(183,163)	(2,624,672)
Deferred revenues	(170,528)	53,585
Deferred provincial grant revenue	(1,113,690)	737,187
Due to Province of Alberta	(463,643)	(3,920,920)
Inventories	(214,822)	280,761
	(4,805,410)	(4,871,616)
Cash provided by operating activities	11,303,045	10,875,410
Capital activities:		
Sale of capital assets	103,883	199,449
Purchase of capital assets	(14,500,696)	(13,209,632)
Cash applied to capital activities	(14,396,813)	(13,010,183)
Investing activities:		
Net change in notes receivable	(2,776,622)	(14,164,862)
Proceeds from redemption of investments	4,484,510	7,038,329
Purchase of investments	(3,549,755)	(8,160,565)
Cash applied to investing activities	(1,841,867)	(15,287,098)
Financing activities:		
Long term debt issued	5,000,000	9,804,270
Long term debt repaid	(2,972,720)	(840,904)
Cash provided by financing activities	2,027,280	8,963,366
Decrease in cash	(2,908,355)	(8,458,505)
Cash at the beginning of year	29,019,032	37,477,537
Cash at end of year	**$ 26,110,677**	**$ 29,019,032**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statements of Financial Position. Approximately 1.056 million acres of tax recovery land remains unsold as at December 31, 2010 (2009 - 1.060 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Special Areas Board, is not valued for financial statement purposes. This consists of approximately 1.584 million acres (2009 - 1.584 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Special Areas Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2010, the road infrastructure right of ways consist of approximately 0.012 million acres of land and are not recorded in the Statements of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of employee benefit plans, allowance for doubtful accounts receivable, provision for contingencies, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 2 (e) Financial Instruments

(cont'd) The carrying value of cash, current accounts receivable, current notes receivable, taxes receivable, amounts due to / from Province of Alberta, current debt, accounts payable and accruals approximate fair value due to the short-term nature of these items.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts approximate their fair value.

The fair value of investments are disclosed on Schedule 1.

(f) Over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity.

(h) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

(i) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventories
The cost of consumable supplies is included as an expenditure when incurred. For information purposes, inventories of consumable supplies are shown on the balance sheet as non-financial assets at net book value.

Inventories are valued at the lower of cost or net replacement value. Costs for all inventories are determined by using the first-in-first-out method with the exception of parts which are valued by using the average costing method.

Leases
Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets
Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having an original cost greater than $2,500 ($10,000 for engineered structures and third party software development) and a useful life greater than one year are shown on the statement of financial position as non-financial assets at net book value. Purchased land and other off the shelf electronic data processing equipment are all capitalized.

The Special Areas Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 2 (i) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	Annual Amortization			Estimated
	Year 1	Year 2	Year 3 and Thereafter	Salvage Value
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	-
- Software	25.00	25.00	25.00	-
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Note 3 Cash

Cash includes funds held in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2010, securities held by the Fund had a time-weighted return of 0.95% per annum (2009 - 1.25% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of $59,007 (2009 - $62,474), are comprised of the following:

	2010	2009
From sale of tax recovery land & related mineral surface leases	$ 2,440,559	$ 2,839,499
Accrued interest	50,275	57,881
	2,490,834	2,897,380
Federal grant receivable	1,118,945	-
Prepaids	130,730	71,922
Accrued interest on investments	94,713	105,826
Leases	119,937	95,814
Oil well drilling	111,031	14,196
High speed wireless	447,876	472,876
Local improvement recoveries	158,945	175,527
Equipment rentals	29,397	333,123
Miscellaneous	208,212	294,801
	$ 4,910,620	$ 4,461,465

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in instalments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sale II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The high speed wireless receivable is a result of the Board entering into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. Certain equipment was offered for sale by the Board to the internet service provider at the Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2010	2009
Current:		
Acadia Foundation	1,796,031	1,342,280
Acadia Foundation - accrued interest	31,160	-
Other	-	17,043
	$ 1,827,191	$ 1,359,323
Non-current:		
Acadia Foundation	$ 17,137,437	$ 14,273,605
Other	64,047	151,257
	$ 17,201,484	$ 14,424,862

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds are then advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. These funds are then lent to the Acadia Foundation and repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.34% to 5.00% (2009 - 3.34% to 5.00%). Semi-annual payments totalling $1,559,623 (2009 - $687,754) were made in June and December. Interest revenue recognized as a result of this loan in 2010 was $679,401 (2009 - $283,991).

Principal repayments on long-term receivable in each of the next five years are estimated as follows:

2011	$ 1,796,031
2012	1,863,702
2013	1,933,949
2014	2,006,882
2015	2,082,597
	$ 9,683,161

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 6 Due from (to) Province of Alberta

The net amount due from (to) the Province of Alberta is comprised of the following:

	2010	2009
Due from Province of Alberta:		
Infrastructure - Building Canada Fund	$ 1,118,945	$ -
Transportation	640,259	807,279
Agriculture and Rural Development	271,600	226,600
Environment	45,434	11,185
Other	11,060	9,400
	2,087,298	1,054,464
Due to Province of Alberta:		
Environment	(213,124)	(207,603)
Transportation	-	(511,736)
Other	(168,874)	(126,302)
	(381,998)	(845,641)
Due from Province of Alberta	$ 1,705,300	$ 208,823

Note 7 Taxes Receivable

	2010	2009
Taxes receivable	$ 1,550,396	$ 635,482
Less allowance for doubtful accounts:	(674,622)	(66,002)
	875,774	569,480
Under levy	403,413	-
Taxes receivable	$ 1,279,187	$ 569,480

Note 8 Deferred Provincial Grant Revenue

	2010	2009
Municipal Affairs	$ 187,884	$ 1,299,396
Transportation	140,795	123,395
Agriculture and Rural Development	12,572	11,770
Children and Youth Services	-	20,380
	$ 341,251	$ 1,454,941

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 9 Long Term Debt

	2010	2009
Alberta Capital Finance Authority loan, repayable in semi-annual instalments of $263,223, including fixed interest at 4.39%, due June 2018	$ 3,333,909	$ 3,701,983
Alberta Capital Finance Authority loan, repayable in semi-annual instalments of $251,377, including fixed interest at 4.01%, due December 2018	3,411,506	3,766,669
Alberta Capital Finance Authority loan, repayable in semi-annual instalments of $493,631, including fixed interest at 3.34%, due December 2019	7,618,470	8,333,000
Alberta Capital Finance Authority loan, repayable in semi-annual instalments of $298,660, including fixed interest at 3.51%, due June 2020	4,789,190	-
Alberta Treasury Branches (ATB) loan, repayable in semi-annual instalments of $147,127, plus monthly variable interest at ATB prime (December 31, 2010 - 2.25%), fully repaid during the year	-	1,324,143
	19,153,075	17,125,795
Less: current portion	1,925,369	1,732,020
	$ 17,227,706	$ 15,393,775

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 9 Long Term Debt

(cont'd) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2011	$ 1,925,369
2012	1,997,637
2013	2,072,650
2014	2,150,516
2015	2,231,343
	$ 10,377,515

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act.*

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2010 it was estimated that 757,410 cubic meters (2009 - 696,338 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of $2.50 per cubic meter (2009 - $2.50 per cubic meter), for a total liability of $1,900,000 (2009 - $1,740,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 11 Non-financial Assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				
Mobile equipment	$ 19,932,392	$ 6,136,868	$ 13,795,524	$ 12,861,477
Buildings	9,059,226	3,715,506	5,343,720	5,277,948
Engineered structures	7,254,143	675,502	6,578,641	2,979,050
Automotive equipment	12,437,884	7,952,539	4,485,345	4,584,763
Machinery and equipment	4,106,075	2,062,901	2,043,174	1,891,755
Land	1,036,729	126,605	910,124	947,166
Electronic data processing				
- Software	1,548,097	1,388,244	159,853	207,790
- Hardware	1,299,721	1,166,253	133,468	124,118
Road infrastructure	155,807,226	30,573,149	125,234,077	119,481,211
Water/wastewater lines	54,027	53,299	728	750
Dams	367,494	301,743	65,751	67,805
Tangible Capital Assets	$ 212,903,014	$ 54,152,609	$158,750,405	$148,423,833

	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	$ 1,029,587	$ 10,296	$ 1,019,291	$ 1,027,790
Gravel	4,059,045	-	4,059,045	3,812,596
Culverts	115,653	-	115,653	112,627
Fuel	105,899	-	105,899	115,799
Fencing	21,587	-	21,587	62,270
Chemicals and other	48,389	-	48,389	23,960
Inventory	$ 5,380,160	$ 10,296	5,369,864	5,155,042
Total non-financial assets			$164,120,269	$153,578,875

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 12 Accumulated Surplus

Accumulated Surplus consists of unrestricted amounts and internally restricted as follows:

	2010	2009
Unrestricted Accumulated Surpluses		
Equity in tangible capital assets	$158,750,405	$148,423,833
Equity in inventory	5,369,864	5,155,042
Unrestricted operational surplus	10,085,366	9,410,558
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	44,760,700	44,132,816
Total Accumulated Surplus (Schedule 4)	$218,966,335	$207,122,249

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

Note 13 Budget

The 2010 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs and Housing in December 2009. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA). A reconciliation to that basis is as follows:

	2010		2009
	Budgeted	Actual	Actual
Surplus during the year	11,147,186	11,844,086	11,972,937
Acquisition of tangible capital assets	(11,759,523)	(15,512,715)	(14,184,251)
Net transfers to capital	(280,000)	(1,324,143)	(147,127)
Loss on sale of tangible capital assets	-	119,849	109,802
Proceeds on disposal of tangible capital assets	127,000	103,883	199,449
Amortization of tangible capital assets	-	4,962,411	4,635,409
	(765,337)	193,371	2,586,219
Tax Recovery Land Sales - transferred from operations	(1,000,000)	(627,884)	(712,427)
(Deficit) Surplus	(1,765,337)	(434,513)	1,873,792

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 14 Provincial Grants

	2010	2009
Municipal Affairs	$ 6,261,811	$ 1,865,402
Transportation	1,470,198	5,232,691
Finance	1,118,946	-
Agriculture and Rural Development	447,612	431,684
Children and Youth Services	157,954	167,560
Infrastructure	95,442	132,981
Tourism, Parks and Recreation	16,000	16,000
Employment and Immigration	4,631	7,840
Environment	-	178,101
	$ 9,572,594	$ 8,032,259

Note 15 Lease Revenue

	2010	2009
Mineral surface leases	$ 3,420,645	$ 3,395,886
Equipment rentals	3,170,117	1,750,779
Grazing leases	1,060,252	798,213
Community pastures	480,126	468,511
Cultivation leases	294,823	308,272
Other	534,822	413,443
	$ 8,960,785	$ 7,135,104

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 16 Total Expenditure

Total expenditure for the year is analyzed by object of expenditure as follows:

	2010	2009
Manpower (Schedule 2)	$ 12,789,258	$ 12,799,513
Materials, goods, and utilities	12,915,549	10,009,790
Contract and general services	6,506,392	9,749,018
Amortization	4,962,411	4,635,409
Grants	3,905,380	1,994,198
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	170,738	150,757
Investment fees	14,324	14,527
Alberta Municipal Affairs		
Linear assessment	96,111	94,079
Government Services	24,904	74,431
Interest on long-term debt	701,855	354,349
Industrial tax transfers	229,742	240,071
Loss on sale of capital assets	119,849	109,802
Provision for doubtful accounts	605,153	62,402
Less:		
Internal road projects capitalized in the year	(7,849,551)	(8,431,111)
	$ 35,192,115	$ 31,857,235

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 17 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	2010	2009
Total debt limit	$ 60,284,854	$ 63,804,156
Total debt	19,153,075	17,125,795
Amount of debt limit unused	$ 41,131,779	$ 46,678,361
Debt servicing limit	$ 10,047,476	$ 10,634,026
Debt servicing	2,613,783	2,338,302
Amount of debt servicing limit unused	$ 7,433,693	$ 8,295,724

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 18 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are billed to the Board as disclosed in Note 16.

Grants provided by the Province of Alberta are disclosed in Note 14 and the amounts outstanding at the end of the year are disclosed in Note 6.

During the year the Board advanced $4,877,206 (2009 - $8,155,574) to Acadia Foundation, a significantly influenced related party. For further details see Note 5.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

Note 19 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings.

Total current contributions by the Board in 2010 to the PSPP were $509,067 (2009 - $370,998) and to the MEPP were $155,079 (2009 - $171,648).

At December 31, 2009, the PSPP reported a deficit of $1,729,196,000 (2008 deficit - $1,187,538,000) and the MEPP reported a deficiency of $483,199,000 (2008 - $568,574,000).

Note 20 Contractual Obligations

The Board has entered into seventeen long-term operating leases for equipment. The future lease payments are as follows:

2011	$ 1,073,443
2012	477,825
	$ 1,551,268

The Board had entered into a long-term gravel crushing contract in which the Board has committed to crushing 1,500,000 Tonnes from 2008 to 2013. Depending on conditions, an average of 300,000 Tonnes will be crushed annually.

Note 21 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately $70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditure of that Ministry.

Note 22 Comparative Figures

Certain 2009 figures have been reclassified to conform to 2010 presentation.

Note 23 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2010

	Stated Interest Rate	Effective Interest Rate	Maturity Date	2010 Par Value	2010 Fair Value	2010 Book Value	2009 Book Value
Bonds:							
Bank of Montreal	7.000%	4.320%	January 28, 2010	$ -	$ -	$ -	$ 180,328
Bank of Montreal	4.870%	3.900%	April 22, 2020	700,000	744,611	728,425	-
Bank of Nova Scotia	3.030%	3.030%	June 4, 2012	500,000	507,220	499,993	499,988
Canada Housing Trust	3.950%	4.830%	December 15, 2011	-	-	-	1,083,177
Canada Housing Trust	4.000%	4.290%	June 15, 2012	3,560,000	3,679,687	3,546,719	3,537,608
Canada Housing Trust	3.600%	2.880%	June 15, 2013	5,260,000	5,466,034	5,352,404	5,390,004
Canada Housing Trust	2.700%	2.650%	December 15, 2013	3,300,000	3,355,275	3,304,663	3,306,238
Canada Housing Trust	2.950%	3.080%	March 15, 2015	1,100,000	1,120,526	1,094,349	-
Canadian Imperial Bank of Commerce	4.550%	4.710%	March 28, 2016	-	-	-	696,906
Canadian Imperial Bank of Commerce	4.110%	4.070%	April 30, 2020	700,000	722,827	700,000	-
Financement Quebec	3.250%	3.050%	June 1, 2014	500,000	514,025	503,180	504,110
Government of Canada	5.500%	4.090%	June 1, 2010	-	-	-	522,811
Government of Canada	6.000%	5.920%	June 1, 2011	95,000	96,864	95,023	95,079
Government of Canada	3.750%	4.010%	September 1, 2011	800,000	812,944	798,742	1,792,934
Government of Canada	5.250%	4.030%	June 1, 2012	3,490,000	3,670,468	3,544,021	3,582,087
Government of Canada	2.500%	1.930%	June 1, 2015	1,000,000	1,008,480	1,023,841	-
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	500,000	515,515	503,256	504,602
Province of Ontario	6.100%	4.070%	November 19, 2010	-	-	-	508,111
Province of Ontario	6.100%	4.490%	December 2, 2011	700,000	729,057	709,115	719,016
Province of Quebec	5.250%	3.650%	October 1, 2013	800,000	866,072	832,145	843,819
Province of Quebec	5.500%	2.740%	December 1, 2014	1,550,000	1,720,686	1,706,188	1,746,026
Royal Bank of Canada	3.700%	4.190%	June 24, 2015	-	-	-	395,907
TD Bank	5.690%	5.020%	June 3, 2018	700,000	750,183	716,306	718,502
				25,255,000	26,280,474	25,658,370	26,627,253
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				$ 25,255,150	$ 26,280,624	$ 25,658,520	$ 26,627,403

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant currency or credit risks arising from these financial instruments.

Schedule 2

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010					2009	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chairman of the Special Areas Board	1	$ 151,254	$ 5,817	$ 9,673	$ 166,744	1	$ 193,035
Special Areas Board members	2	14,548	-	1,479	16,027	2	15,305
Director of Finance and Administration	1	114,555	-	28,237	142,792	1	145,442
Director of Municipal Services	1	109,654	4,429	7,517	121,600	1	121,184
Director of Properties Administration	1	109,654	-	27,255	136,909	1	140,546
Roads & Equipment Superintendent	1	98,788	-	25,075	123,863	1	134,324
Managers (e)	4	387,574	-	98,124	485,698	4	497,602
Other full time staff (f)	91.0	5,670,396	-	1,068,772	6,739,168	89.0	6,521,042
Part time and casual wage staff		4,440,261	-	365,048	4,805,309		4,944,688
Other Boards and committees		46,950	-	2,016	48,966		53,761
Advisory Councillors	15	23,130	-	546	23,676	13	27,540
(Decrease) Increase in vacation accrual		(21,494)	-	-	(21,494)		5,044
		$ 11,145,270	$ 10,246	$ 1,633,742	$ 12,789,258		$ 12,799,513

(a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
(b) Salary includes regular base pay.
(c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.
(d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance and long-term disability plan.
(e) Average salary is $97,510 and average benefits (column c & d) are $25,130 totaling $122,640 (2009 - $124,401).
(f) Average salary is $62,312 and average benefits are $11,745 totaling $74,057 (2009 - $73,270).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2010

Schedule 3

	2010	2009
Change in Financial Assets		
Current:		
Cash	$ (2,908,355)	$ (8,458,505)
Accounts receivable	449,155	(427,085)
Notes receivable	467,868	-
Due from Province of Alberta	1,032,834	208,823
Taxes receivable	709,707	288,274
	(248,791)	(8,388,493)
Non-current:		
Notes receivable	2,776,622	13,672,061
Investments	(968,883)	1,218,739
Increase in Financial Assets	1,558,948	6,502,307
Change in Liabilities		
Current:		
Accounts payable and accruals	183,163	2,624,672
Deferred revenues	170,528	(53,585)
Deferred provincial grant revenue	1,113,690	(737,187)
Due to Province of Alberta	463,643	3,741,266
Current portion of long term loan	(193,349)	(1,038,243)
	1,737,675	4,536,923
Non-current:		
Long term loan	(1,833,931)	(7,925,123)
Provision for gravel pit reclamation	(160,000)	(100,000)
Increase in Liabilities	(256,256)	(3,488,200)
Net increase in net financial assets	1,302,692	3,014,107
Net financial assets at the beginning of year	53,543,374	50,529,267
Net financial assets at end of year	**$ 54,846,066**	**$ 53,543,374**

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

Schedule 4

	2010 BUDGET (Note 13)	2010 ACTUAL	2009 ACTUAL
Equity in capital assets at beginning of year		$ 148,423,833	$ 139,184,242
Add purchase of capital assets:			
Road infrastructure	-	7,849,551	8,431,111
Water and sanitation services	6,049,000	3,726,346	1,306,049
Transportation services	3,550,850	2,910,391	2,890,464
Protective services	1,515,000	582,937	1,000,025
Administrative services	264,423	196,433	115,495
Recreation and cultural services	290,000	140,204	142,857
Agriculture and community pasture services	90,250	106,853	298,250
	11,759,523	15,512,715	14,184,251
Annual amortization of capital assets		(4,962,411)	(4,635,409)
Disposal of capital assets		(223,732)	(309,251)
Equity in capital assets at end of year (Note 11, 12)		$ **158,750,405**	$ **148,423,833**
Equity in inventories at beginning of year		$ 5,155,042	$ 5,435,803
Add purchases and other inventory costs		3,695,428	2,659,541
Deduct requisitions		(3,480,606)	(2,940,302)
Equity in inventory at end of year (Note 11, 12)		$ **5,369,864**	$ **5,155,042**
Accumulated operational surplus at beginning of year		$ 9,410,558	$ 7,108,878
Surplus for the year		11,844,086	11,972,937
Change in Non-Financial Assets		(10,541,394)	(8,958,830)
		10,713,250	10,122,985
Transfers to internally restricted reserves		(627,884)	(712,427)
Accumulated operational surplus at end of year (Note 12)		$ **10,085,366**	$ **9,410,558**
Internally restricted accumulated surplusses at beginning of year		$ 44,132,816	$ 43,420,389
Tax Recovery Land Sales - Transfers from operations		627,884	712,427
Internally restricted accumulated surplusses at end of year (Note 12)		$ **44,760,700**	$ **44,132,816**
		$ **218,966,335**	$ **207,122,249**

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